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**PROMOTING STABILITY AND DEVELOPMENT IN AFRICA:
FOSTERING COOPERATION BETWEEN PUBLIC AND PRIVATE SECTORS**

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**PROMOTING STABILITY AND DEVELOPMENT IN AFRICA: FOSTERING COOPERATION
BETWEEN PUBLIC AND PRIVATE SECTORS
A Case Study of South Africa**

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Acronyms and Abbreviations

AGOA	African Growth and Opportunities Act
ANC	African National Congress
ATF	Agricultural Trade Forum
AU	African Union
BACSA	Business Against Crime South Africa
BBC	Black Business Council
BBWG	Big Business Working Group
BLNS	Botswana, Lesotho, Namibia and Swaziland
BRICS	Brazil, Russia, India and South Africa
BUSA	Business Unity South Africa
DIRCO	Department of International Relations and Cooperation
DRC	Democratic Republic of the Congo
DTI	Department of Trade and Industry
EC	European Commission
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free Trade Area
G20	Group of 20
GDP	Gross Domestic Product
GNI	Gross National Income
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
JSE	Johannesburg Stock Exchange
NACF	National Anti Corruption Forum
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
OECD	Organisation for Economic Development
REC	Regional Economic Community
RISDP	Regional Indicative Strategic Development Plan
SA	South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community

SADPA	South African Development Partnership Agency
SARB	South African Reserve Bank
SME	Small and Medium Enterprise
TDCA	Trade Development and Cooperation Agreement
Teselico	Technical Sectoral Liaison Committee
TIDCA	Trade, Investment, and Development Cooperative Agreement
TIFA	Trade and Investment Framework Agreement
WTO	World Trade Organization

Executive Summary

South Africa is a strategic partner of the European Union and is the only African country that is a member of the G20 and BRICS. Until early 2014, it was the largest economy in Africa and remains an upper middle-income country. Economic growth in South Africa is expected to be 1.4% in 2014 (IMF, 2014), which is low relative to the growth expected in other African countries and emerging economies. This is a reflection of the ongoing socio-economic challenges faced by South Africa twenty years after the end of apartheid. Of particular concern are the high unemployment rate and the failure of growth to result in any positive improvements in the level of inequality that exists in the country. Despite the continued dominance of one party (the African National Congress), South Africa has a robust democracy and there is active engagement from stakeholders in both economic and political debates.

There are however particular challenges in State-business relations in South Africa. A high level of mistrust exists between the government and the private sector. This reflects a unique historical legacy, challenges of economic transformation and ideological differences. There are some platforms available to facilitate the engagement between the public and private sectors, such as the formal structures of the National Economic Development and Labour Council, and more informal mechanisms, such as presidential working groups. The results of these engagements have been mixed both in terms of domestic economic policy coherence as well as in the economic diplomacy of South Africa at the regional and global level.

This paper examines the interactions between government and the private sector in South Africa in the context of socio-economic, governance and democracy, and peace and security issues. It recommends that partners of South Africa, such as the European Union and the United States (US), could provide support to enhance State business relations in South Africa at both the local and regional levels. This could be done through existing State-State processes as well as directly with the business community (both South African firms and foreign investors).

Introduction

South Africa was until recently the largest economy on the African continent. It was overtaken by Nigeria in terms of gross domestic product (GDP) when the Nigerian economy was rebased in early 2014. South Africa however remains an important economic and

political player not only in an African context but also more broadly at the global level. It is an upper middle-income country with a gross national income (GNI) per capita of \$7,190 in 2013 (World Bank, 2014). South Africa is often described as an emerging economy and is a member of the BRICS (Brazil, Russia, India, China and South Africa) grouping. It is also the only African country to be a formal member of the G20, which is widely considered to be the pre-eminent fora for global economic governance. South Africa has an active foreign policy that sees it engage in multilateral debates on governance and democracy issues as well as the peace and security agenda, with a strong focus on these areas at the regional level in Africa. It was this prioritisation of Africa's development that saw South Africa put forward its former Foreign Minister, Dr Nkosazana Dlamini-Zuma, for the position of Chair of the African Union (AU) Commission. Dr Dlamini-Zuma assumed leadership of the AU Commission in October 2012 and has played a critical role in the formulation of Agenda 2063 that sets out specific objectives for Africa over the coming fifty years. South Africa is a committed proponent of the need to ensure that Africa is not marginalised in the global economy and that it reaches its true potential.

It is with these factors in mind that South Africa was chosen as one of the countries in which to undertake an in-depth case study to examine its role in promoting stability and development in Africa. For the purposes of this particular paper, it is also worth highlighting that South Africa is the only African country to have a Strategic Partnership with the European Union (EU). In a review of the Strategic Partnership in 2011, the relationship between the EU and South Africa was described as "strong, robust and comprehensive" (Dialogue Facility, 2011, p.13). South Africa also has close economic ties with the US as a significant beneficiary country under the Africa Growth and Opportunities Act (AGOA) and signed a Trade and Investment Framework Agreement (TIFA) in 2012. In addition, it is also a participant in the Trade, Investment, and Development Cooperative Agreement (TIDCA) between the US and the members of the Southern African Customs Union (SACU).

The following paper will focus on the role of South Africa in promoting stability and development in Africa through cooperation between the public and private sector. The private sector is widely acknowledged to play a critical role in socio-economic development, including by donors and multilateral organisations. For example, the OECD (2006, p.74) highlights private sector development as a key component of poverty reduction and development. In the work of Sen and te Velde (2009) on State-business relations in Africa,

clear linkages were established between effective relations of State institutions with the private sector and enhanced economic growth. South Africa was one of fourteen sub-Saharan African countries considered in the study and assessed by Sen and te Velde (2009) to have effective State–business relations. In the first section of this paper, the State-business relations approach will be considered as a way to assess the current interactions between the public and private sectors in South Africa. There is a complementary discussion of South Africa’s economic diplomacy in the rest of the continent and the linkages in this context between the State and private sector.

The following three sections will include a broad outline of the existing mechanisms for cooperation between the public and private sectors in South Africa, including the National Economic Development and Labour Council (NEDLAC) and more informal interactions. The second section looks at public-private relations in the area of socio-economic development. Here there is a strong focus on the current domestic economic climate and the current challenges of engagement between the South African government and business around developing a coherent economic policy to address the problems of slow growth, unemployment and inequality. The third section builds on the analysis of both the interactions between the South African government and business at the domestic level and in terms of foreign policy with a particular focus on governance and democracy. There are a number of specific security concerns (e.g. crime and safety) in the South African economy that are considered in the fourth section together with a discussion on the role the country has played with regards to peace-building in the rest of the African continent. The paper concludes with recommendations on how key partners, such as the EU and US, can better engage the South African private sector in the three priority areas of socio-economic development, governance and democracy, and peace and security.

1. Cooperation between the public and private sectors in South Africa

1.1 Overview of State-Business Relations in South Africa¹

¹ This section draws heavily on research undertaken by the author for a Masters report for the University of the Witwatersrand that is not yet published. The report is entitled “Information Sharing on Trade Policy Between State and Business in South Africa”, 28 February 2014.

State–business relations are of interest for a number of different disciplines for their potential to impact on issues related to governance, power, politics, and economic growth and development. The relationship between a government and the business community in a country is often a complex one that reflects many different factors, including history, race or class dynamics, politics and specific sectoral concerns. It is difficult to generalise as these interactions are specific to certain countries and also differ, depending on the nature of the issue under consideration. There will be different players involved at various points in time and one of the most common challenges voiced by policymakers is ‘who is the private sector?’. The business community is wide, diverse and can mean different things to different people (Rettberg, 2010, p. 22). Some of the most common points of differentiation relate to formal versus informal businesses; corporate versus small and medium enterprises (SMEs); and foreign versus locally owned firms. The desired interaction between the State and business will depend on the specific objectives being pursued (e.g., contributing to increased employment or developing new technologies). State–business relations are therefore structured differently in many instances, and can be both ad hoc in order to address one issue only or sustained over a longer period of time to allow for broad-based consultation.

Sen and te Velde (2009, p. 1279) define State–business relation’ as “a set of interactions between states and the business sector whether through formal channels such as official meetings of bureaucrats with business associations, or through more informal channels such as phone conversations and dinner parties”. Maxfield and Schneider (1997) explored effective State–business relations in detail and identified three key characteristics: (1) transparency, (2) reciprocity and (3) credibility. Sen and te Velde (2009, p. 1269) build on this work to link State–business relations to economic policy where they outline three main functions: (1) facilitation of information exchange, (2) check and balance on government policies, and (3) reduction of policy uncertainty. Harriss (2006, p. 1) identified a fourth factor, which is the role of State–business relations in fostering high levels of trust between the stakeholders.

The South African government itself has acknowledged that there is a need to encourage the private sector and government to work together to ensure the development of the country. In the State of the Nation address delivered on 14 February 2013, South African President Jacob Zuma (Government of South Africa, 2013) noted that: “We will engage business, labour and other social partners in pursuit of solutions. No single force acting individually can achieve the objectives we have set for ourselves.” This is echoed in almost all economic policy documents

and plans. With regard to trade policy, the South African Department of Trade and Industry (DTI) (2012, p. 21) highlights the importance of building strategic relationships between government and business in order to create competitive advantage.

South Africa has a number of mechanisms in place to achieve the main functions of State-business relations. The National Economic Development and Labour Council NEDLAC is the leading formal mechanism established to allow for the interaction between government and business, together with other constituencies representing organised labour and civil society. Parsons (2007, p. 9) explains that NEDLAC was designed to “inaugurate a new era of inclusive consensus-seeking and ultimately decision-making in the economic and social arenas”. It facilitated the discussion of national social and economic policy and legislation, and South Africa’s re-entry into international organisations, such as the International Labour Organisation (Nattrass & Seekings, 2010, p. 42). In the State-business relations paradigm, NEDLAC contributes to the sharing of information on socio-economic issues. Through regular interactions of government and the private sector, as well as with other constituencies, there is a possibility to create greater levels of understanding of policy processes and to make a positive contribution in terms of trust building.

Box 1 provides a detailed description of NEDLAC and its structures.

Box 1: NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL (NEDLAC)

The National Economic Development and Labour Council (NEDLAC) is a statutory body that was established in 1995 to provide a platform for social dialogue in South Africa on a range of economic policies and legislation. Government, labour, business and community are all represented in NEDLAC, which is structured with four main chambers dealing with (1) monetary policy, (2) labour, (3) development, and (4) trade and industry. There is a specific sub-committee of the Trade and Industry Chamber known as ‘the Technical Sectoral Liaison Committee (Teselico)’, which focuses on trade matters. It is here that the Department of Trade and Industry (DTI) consults with organised labour and business on trade policy matters, and on the positions of South Africa to be adopted in trade negotiations. Teselico is mirrored by the Agricultural Trade Forum (ATF), which looks specifically at trade as it relates to the agricultural sector. NEDLAC is a formal process that requires monthly meetings of its bodies.

The work of the chambers is supported by a small Secretariat. A wide range of policy issues is featured on the NEDLAC agenda. The government will also submit draft legislation to NEDLAC for discussion by the constituencies before it is finalised. A NEDLAC report will be sent to Parliament with the relevant bills and often includes line-by-line suggestions on amendments to be made to the draft considered by NEDLAC.

The private sector is represented in NEDLAC via Business Unity South Africa (BUSA) and more recently the Black Business Chamber (BBC), which represents part of the black business community in South Africa. BUSA and the BBC are required to nominate representatives for each of the NEDLAC bodies. BUSA presents mandated positions in NEDLAC that are developed through its standing committees. For example, the Standing Committee on Trade Policy at BUSA will consider all the matters on the NEDLAC agenda, and canvas the views of the membership before presenting positions for discussion with government and labour. This process tends to focus on the industrial sectors of the South African economy as agriculture has its own forum in the ATF. BUSA does, however, attempt to coordinate positions in both NEDLAC and the ATF in order to get an overall picture on trade policy matters.

Source: Adapted and updated from African Development Bank (2011).

There is not a conclusive assessment available of current State-business relations in South Africa. In 2010, Nattrass and Seekings (2010, p.68) considered specifically NEDLAC and found that “State-business relations remain fragile and highly fragmented”. They attributed this to the legacy of apartheid and the racialised, personal nature of the engagements between government and the private sector in South Africa. In 2011 Grant (2011, p. 5) contended, “the relationship between the government and private sector in South Africa has not always been particularly close”. She went on to explain that

[t]he formation of the National Economic Development and Labour Council (Nedlac) in 1995 provided a formal platform for engagement on a wide range of economic issues between government, business and labour. Nedlac has achieved mixed results, which has often depended on the commitment of the relevant government department to engage on policy matters. (*Idem*, p. 5)

These observations would appear to still hold in 2014 and, if anything, a greater distance has been created between the government and business since 2011. The relationship is not healthy given the high levels of mistrust that appear to exist on both sides. A South African commentator, Aubrey Matshiqi, recently described the relationship as having “mutated into a crisis of confidence”². There is a rhetorical commitment from the highest levels of the South African government (refer Government of South Africa, 2013) to co-operate and interact with the private sector. This is much more difficult than expected. In practice the relationship is bedeviled by perceptions, procedural challenges and, in some instances, ideological differences; for example, the South African government, including the ruling alliance partners of the African National Congress, has made it clear that there is a widely held perception that the private sector does not share the ANC objectives of development and is only concerned with generating profits.

The government continues to struggle with the question of who the private sector is and, in many instances, there are different interpretations depending on the object of the consultation. South Africa currently has hundreds of thousands of registered companies that operate in all spheres of the economy. They range in size from one person operations (micro enterprises) to multinational corporations that compete with the largest in the world as reported in the Forbes Top 2000 companies register (Forbes, 2014). The interaction of these firms with government structures varies greatly. Some (probably the vast majority) will simply pay taxes and demand the most basic of services at a local level. Others will have dedicated resources that are responsible for managing the interactions with government on both commercial matters and the development of policy. It must be noted that this description largely applies only to the formal sector, yet there is a large informal component to South Africa’s business community that is difficult to capture for the purposes of research (Ndabeni and Maharajh, 2013).

NEDLAC has been cited as the platform of choice for social dialogue in South Africa and this was reconfirmed in the New Growth Path and the National Development Plan³. As assessed by Grant (2011), NEDLAC has a mixed track record and its contribution to State–business

² “Seifsa paints a gloomy picture of the economy”, 13 October 2014, BD Live website. Retrieved from <http://www.bdlive.co.za/business/trade/2014/10/13/seifsa-paints-a-gloomy-picture-of-the-economy>.

³ The New Growth Path and the National Development Plan are two of the key policy documents that make up the overarching framework for South Africa’s socio-economic development.

relations could be interpreted in many different ways. It is a tripartite mechanism that includes not only government and business, but also constituencies from labour and civil society. The various constituencies face their own internal challenges and there is not necessarily the willingness to come together as was demonstrated in the 1990s. NEDLAC was recently described in a South African newspaper editorial as “irrelevant”⁴ and a call was made for NEDLAC to be reformed with a negotiated accord between the government, business and labour at its heart.

Under former President Thabo Mbeki, NEDLAC engagement was supplemented by dedicated working groups between government and business. The most high profile of these was the Big Business Working Group (BBWG), as described by Qobo (2010, p. 23), which met regularly and involved captains of industry. There were, however, working groups that included black business, the agriculture sector and foreign investors, all of whom contributed to regular interactions between government and the private sector at the highest level.

President Zuma’s administration chose not to retain the business working group approach developed under the leadership of Mbeki (Qobo, 2010, p. 23). The regular meetings were discontinued and replaced with ad hoc interactions that often included the other NEDLAC constituencies as well; for example, President Zuma hosted a number of consultations on South Africa’s response to the global financial crisis since 2009 and has also had engagements with business to discuss the National Development Plan.

The current lack of effective State–business relations in South Africa cannot be blamed only on one side. It has not been helped by the ongoing struggle among business itself to coordinate its interactions with government, including through umbrella private sector organisations. Some progress had been made in this regard, with the formation of BUSA in 2004. For a number of years, both government and the private sector widely acknowledged BUSA as the leading voice on policy issues; this included through its coordination of the business constituency in NEDLAC.

⁴ <http://www.bdlive.co.za/opinion/editorials/2014/10/16/editorial-irrelevance-a-real-danger-to-nedlac>. Accessed on 18 October 2014.

In 2011 organised business in South Africa suffered a major setback resulting in a split along racial lines that mirrored the situation before the formation of BUSA. Some black business associations felt that BUSA was no longer able to represent their interests, especially on issues related to economic transformation. Following an acrimonious debate over BUSA leadership, particularly the positions of president and CEO (both of which were traditionally held by representatives of the black business constituency in BUSA), the BBC pulled out of BUSA and re-established itself as an apex business body. It had been one of the founding members of BUSA but effectively merged with Business South Africa into the umbrella body in 2004. The BBC was recognised by the government as being on a similar footing to BUSA, as is evidenced through the participation of both BUSA and BBC representatives in meetings with the president of the country and in structures such as the BRICS Business Council.

1.2 South Africa's Economic Diplomacy

State–business relations are a critical dimension of economic diplomacy, which has been defined by Rana (2007, p. 1) in the following way:

[E]conomic diplomacy is the process through which countries tackle the outside world, to maximize their national gain in all the fields of activity, including trade, investment and other forms of economically beneficial exchanges, where they enjoy comparative advantage; it has bilateral, regional and multilateral dimensions, each of which is important.

It is relevant for this paper to consider the interactions between the public and private sectors in South Africa with regards to economic diplomacy given its importance for the relationships with the EU, US and other African countries. In the South African context Vickers and Ajulu (2008, p. 5) describe economic diplomacy as “policies and activities that promote trade, FDI, tourism, and technology transfers to South Africa, and positively position the country in the world through imaging, branding, marketing and public diplomacy (domestic and international)”. Both these definitions highlight activities that are predominantly in the sphere of the private sector and that require the close cooperation among government and business in order to achieve the objectives of the policies. The South African Department of International Relations and Cooperation (2011, p. 28) specifically acknowledges this in a *White Paper on Foreign Policy* that notes: “successful economic diplomacy requires a close

partnership with government, business and labour". Economic diplomacy is a South African priority with its own section in the DIRCO White Paper (2011, p. 26) as well as the ANC policy paper on international relations (ANC, 2012, p. 26). The strong focus on economics in South Africa's international relations has continued since President Mbeki adopted what has been described as a "pragmatic and economic-driven foreign policy approach" (Landsberg, 2005, p. 732).

Rana (2007) has developed a rough economic diplomacy typology for assessing the economic diplomacy of developing countries. The typology considers eight factors: external economic management, policy management, role of non-State actors, economic aid recipient, economic aid donor, trade promotion, investment promotion and regional diplomacy role. The result is the classification of developing countries as traditional, niche-focused, evolving and innovative when it comes to economic diplomacy. Applying Rana's (2007) typology to South Africa, it could be broadly placed in the group of "evolving developing countries". South Africa's economic diplomacy has evolved on many levels but there is still a need for a more specific definition of objectives as well as to develop the interaction between stakeholders. The interaction between government and the private sector in South Africa could be seen as more "traditional", because the interaction is "episodic, depends on personalities", or at best "niche-focused" with "variable" engagement between stakeholders (Rana, 2007).

To date the focus of South Africa's economic diplomacy has been on export and investment promotion plus the development of rules of the game or norm and standard setting (Qobo, 2010, p. 19) in multilateral organisations and on participation in groups such as the G20 and BRICS. These priorities are based on domestic policy objectives and broader aims of African development, including through regional economic integration. In the 20-year review of South Africa's foreign policy, Zondi (2013, p. 5) concluded that

"While South Africa has proposed to conduct both political and economic diplomacy since 1994, the diplomatic service still does not have adequately and appropriately skilled personnel to do this. Government has not significantly leveraged the availability of economic and commercial expertise in various departments, civil society and in the business sector in order to beef up its economic diplomacy capacity. The introduction of economic diplomacy into diplomatic training programmes is a small, but significant step in the right direction."

South Africa's economic diplomacy initiatives in the rest of the continent are hampered by the government's wariness of being perceived as an arrogant, hegemonic actor (Landsberg, 2005, p. 733). For example, South Africa's intervention in the Democratic Republic of the Congo (DRC) in the late 1990s and early 2000s was described as "vagabondage politique" by Taylor and Williams (2001). They also suggested that the notion of an African renaissance was about maximizing South Africa's strategic options at the expense of development (Taylor and Williams, 2001). Vickers and Ajulu (2008, pp. 20-22) add to this by confirming that there are commonly held perceptions about the South African government facilitating the expansion of business into the continent through peacebuilding initiatives that have been likened to western imperialism. These perceptions are contradictory with the stated view of the ANC that South Africa has "deliberately avoided playing a hegemonic role in African institutions and politics" (ANC, 2012, p.14).

Qobo (2010, p.15) has tackled this concern head on and argues that "a hegemon can have a good influence as well as a bad one". He suggests that the hegemonic role (including that of South Africa in the region) can be positive where it implies a consensual platform of values and norms that other countries buy into with the necessary underwriting of certain costs in the areas of security and economic development (Qobo, 2010, p.15). It is on that basis that Qobo (2010, p.23) emphasises the need for the public and private sectors in South Africa to work together in order to develop further the economic diplomacy of the country. There is a clear potential to mutually agree on an approach that is both supportive of the economic development of the African continent and protective of the assets and access to profits of the South African business community.

2. The private sector and socio-economic development

2.1 Overview of South African Economic Policy

Table 1: Economic Indicators for South Africa (2013 in USD)

GDP	\$350.6 billion
Annual GDP growth	1.9%
Population	52.98 million people

GNI Per Capita (Atlas method)	\$7,190
Life expectancy	56 years
Current account balance	-5.3% GDP

Source: World Bank (2014).

Since the first democratic elections in 1994, the South African economy has grown at a steady pace (averaging 3.08% between 1994 and 2014 (Trading Economics, 2014)) but there remain many socio-economic challenges. Growth has recovered since the low of 2009 but it remains much lower rate than the 5% targeted by the government in the National Development Plan. South Africa is currently confronted with not only relatively low levels of growth but also high levels of unemployment and of inequality. It is this 'triple threat' that preoccupies much of the discourse around economic policy in South Africa.

The latest IMF World Economic Outlook (IMF, 2014, p. 10) anticipates that annual GDP growth in South Africa in 2014 will be 1.4%. There has been a decline in the forecast for growth throughout the year that has been attributed to the impact of industrial action and delays in fixing the infrastructure gaps. The IMF (2014, p. 23) noted that South Africa (and other major emerging market economies) need to undertake important structural reforms in order to raise growth more robustly. In the case of South Africa, the priorities include removing infrastructure bottlenecks in the power sector; implementing reforms to education, labour, and product markets to raise competitiveness and productivity; and government services delivery. The South African Reserve Bank (SARB) has a slightly more optimistic growth forecast of 1.5% for 2014 but overall agrees with the IMF assessment that there is a need for structural reforms if sustained economic development is to be achieved.

With regards to the current monetary policy space in South Africa, the inflation rate is targeted to remain in a band of 3-6% by the SARB. This has largely been achieved and in 2013 the rate of inflation was 5.77%⁵. Inflationary pressure in South Africa comes from a number of different sources, including the costs of essential services, such as electricity, but one of the main drivers is the exchange rate. South Africa has a free-floating currency that is actively traded on global markets and considered to be among the top eight most traded currencies. The South African rand has seen some volatility in recent years together with a number of

⁵ <http://www.inflation.eu/inflation-rates/south-africa/historic-inflation/cpi-inflation-south-africa-2013.aspx>

other emerging market currencies. This has serious implications for monetary policy in South Africa and is also a concern raised by exporters and other private sector players at different times (depending on whether the rand is perceived to be under or over valued).

Since the first democratic elections in 1994, South Africa has developed a number of different economic policy plans. There is not the space available in this paper to explore the historical shifts that have taken place in this area over the years. It is worth noting however the current policy framework in place and the role of the private sector in this regard. At an overarching level the National Development Plan⁶ (NDP) was finalised in 2011 after a process involving the 26 commissioners that made up the National Planning Commission, including representatives of the business community. It has not been without controversy but the NDP was endorsed in the election manifesto of the ANC in 2014 and subsequently adopted by the new Cabinet as “the key guide to government to business over the next five years” (Theobald, 2014, p.8). The NDP proposes a vision for South Africa until 2030 that seeks to eliminate poverty and reduce inequality (from Gini coefficient 0.7 to 0.6). It is an extensive document that covers a range wide of social and economic issues. There are other more specific plans that address aspects of the NDP in additional detail, including the Industrial Policy Action Plan, Trade Policy Strategy Framework and New Growth Path as well as the Integrated National Export Strategy that is currently being finalised.

At a broad level the NDP has been welcomed by the South African private sector who have been prepared to engage with the overall strategic objectives as well as some of the detail (for example, the education chapter through the National Education Collaboration Trust). Five task teams involving government and business have been set up to discuss a number of mutual priorities in the NDP – education and skills development, infrastructure, regulatory impact on investment, labour relations, and inclusive growth. Business has admitted that progress in the task teams has been slow but that each of them has drafted a plan of action, which is starting to be implemented (Anthony, 2014, p.14).

One issue that is a common thread throughout different chapters of the NDP is the need to address the challenge of youth employment that is faced by South Africa. The World Economic Forum has estimated that unemployment for people between the ages of 15 and 24

⁶ Available at

<http://www.npconline.co.za/medialib/downloads/home/NPC%20National%20Development%20Plan%20Vision%202030%20-lo-res.pdf>.

years is over 50% in South Africa making it the third highest level in the world (behind Greece and Spain)⁷. Official Stats SA information has the unemployment rate for people aged between 15 and 34 years at 36% (Stats SA, 2014). The NDP talks to education, skills and training as a priority area, including to achieve progress in reducing inequality. South Africa is also prepared to consider innovative social measures to tackle this pressing challenge and has been piloting and refining a youth wage subsidy programme that would work with the private sector to encourage greater uptake of young people seeking to enter the job market.

2.2 Key Sectors for Development and Structural Transformation

Trading Economics (2014) describes the current composition of the South African economy as follows:

The largest sector of the economy is services which accounts for around 73 percent of GDP. Within services, the most important are finance, real estate and business services (21.2 percent of GDP); government services (13.6 percent of GDP); wholesale, retail and motor trade, catering and accommodation (12.5 percent of GDP); and transport, storage and communication (9 percent of GDP). Manufacturing accounts for 15.3 percent of GDP; mining and quarrying for around 5.1 percent of GDP and agriculture for only 2.2 percent of GDP.

The “strong decline” in manufacturing in South Africa (Fedderke, 2014) is of particular concern to policymakers and has been the focus of discussions on the structural transformation required to create more jobs and address inequality. The Industrial Policy Action Plan (IPAP) (DTI, 2014) sets out in significant detail the priority sectors for the industrialisation and development of the South African economy as part of a three year rolling plan. The areas that have been identified as having potential to contribute both to growth and employment are focused on manufacturing on the basis that it has the highest economic and employment multipliers of any sector (DTI, 2014, p. 13). Key sub-sectors include automotives; capital equipment; agro-processing; clothing and textiles; and plastics, chemicals and pharmaceuticals. The IPAP is accompanied by a number of other government programmes aimed at supporting economic development and structural transformation. These include incentive schemes, export support funds, and financing products. In South

⁷ <http://www.fin24.com/Economy/SA-youth-unemployment-3rd-highest-in-world-20140120>

Africa, there are such programmes offered at the national and provincial level with support agencies also existing in some of the larger cities or municipal areas.

Since its inception the IPAP has achieved success in a few specific areas but it has been hampered at a broad level by challenges in the overall business environment in South Africa. There is a range of tools to measure business confidence in the country and also among foreign investors. South Africa also has a vibrant public debate in this regard and participates in the international efforts aimed at ranking countries across a wide range of indicators. From these sources, it can be summarised that the main socio-economic concerns for the private sector include industrial actions, labour market constraints, reliable access to energy and water, skills, infrastructure, policy coherence, and the regulatory environment. If South Africa is to be successful in developing its economy then it is important to balance the sector specific initiatives set out in the IPAP with broader reforms that have an economy wide impact.

2.3 Regional Economic Development and South Africa

Southern African Customs Union

South Africa is a member of the Southern African Customs Union (SACU) together with Botswana, Lesotho, Namibia and Swaziland (BLNS). SACU is the oldest customs union in the world and has been functioning for over 100 years. There is a common external tariff in place between the SACU members and a common monetary area exists with the exception of Botswana. At the heart of the customs union is a complex revenue sharing formula that distributes the income from trade among the five member States. The formula reflects the share of each country in the trade of the region but also includes a developmental component, which effectively sees South Africa contribute funds to the other members in compensation for the effects of agglomeration in a regional agreement dominated by one major player. Through the SACU revenue pool, South Africa contributes up to 1% of its GDP to the budgets of the BLNS. This is a significant amount of money and makes for a complex set of relationships between South Africa and its direct neighbours.

SACU set itself an ambitious agenda for economic cooperation when the foundation agreement of the body was revised in 2002. Its members sought to develop common policies on trade and industrial development as well as establish a number of regional bodies, such as a tribunal and regional tariffs board. While some progress has been made, SACU has struggled

with full implementation of its commitments. The most notable impact of the new SACU agreement was in the area of trade negotiations where it has no longer been possible for South Africa (or the BLNS) to negotiate bilateral agreements. Most recently SACU concluded an Economic Partnership Agreement (EPA) with the EU that will see the phasing out of existing bilateral arrangements, including the Trade Development and Cooperation Agreement (TDCA) between South Africa and the EU.

The coming year is expected to be a difficult one for SACU as it will be necessary to conclude the process to review the revenue sharing formula. There has been pressure to do so since the global financial crisis, which highlighted the reliance of some SACU members on the revenue pool and the vulnerability of the arrangement to shifts at the global level (especially in relation to the trade of automobiles). South Africa is also experiencing increasing fiscal pressure and is keen to ensure that its contribution to SACU is in line with its policy of developmental regionalism. There have been concerns voiced by some in the South African Government about the nature of the SACU arrangement and its failure to deliver greater economic development for the region⁸. A series of bilateral consultations are taking place between South Africa and the BLNS on the future of SACU. It is anticipated that these will be complete and that there will be high-level political engagement on the way forward in late 2014 or early 2015.

Southern African Development Community

South Africa is a member also of another regional economic community - the Southern African Development Community (SADC). SADC has a strong history as a political organisation even though there has been some more recent progress in the area of economic integration. South Africa plays a leading role in SADC initiatives aimed at ensuring peace and security in the region, as demonstrated by its mediation of the political crisis in Zimbabwe and most recently in Lesotho. There is a balancing act to be played by South Africa in these efforts where it does not want to be perceived as the dominant force in the region or a 'bully', but the reality is that as the largest economy it is able to contribute significant capacity and resources to assisting in regional initiatives. With this in mind, South Africa has traditionally not been particularly active in the SADC Secretariat but it currently has a former government official in the position of Deputy Executive Secretary. This comes at an important time for setting out the future

⁸ <http://mg.co.za/article/2013-11-29-00-sacus-day-of-reckoning-has-arrived>

priorities of the regional economic community (REC) as it seeks to adopt a revised version of the Regional Indicative Strategic Development Plan (RISDP).

With regards to socio-economic development within SADC, there are a number of regional initiatives underway in a broad range of areas. It is not possible to touch upon them all here. One area that is of particular interest to the South African private sector is the implementation of the SADC Trade Protocol. A free trade area was successfully launched among some SADC member states in 2010 and now covers nearly all trade in goods in the region. South Africa was at the forefront of the liberalisation of its market to allow duty-free access for many of the products imported from its SADC neighbours. Unfortunately this has not resulted in significant increases in exports from other SADC countries to South Africa. The removal of tariffs is only one aspect of the trade agenda and there are many other challenges with regard to the full implementation of the FTA which have been highlighted by the private sector in the region, including the high costs of transportation, trade facilitation challenges, lack of harmonised regulation and standards etc.

3. The private sector and governance and democracy

3.1 Overview of Governance and Democracy Indicators in Southern Africa

In 2014 South Africa was ranked as the 4th best performing country out of 52 in the Ibrahim Index of African Governance ⁹. This reflected a slight move upwards with an overall score of 73.3 out of 100. South Africa scored highest in the area of human development, second on participation and human rights, third on sustainable economic opportunity, and worst on safety and rule of law.

3.2 Challenge of Combatting Corruption

One of the most prominent issues in governance debates in South Africa is that of corruption. There is a lively debate in the media that looks at the behaviour of the public and private sectors in this regard. High profile cases have included investigations into the procurement processes around the purchase of military equipment by the South African government in the

⁹ <http://www.moibrahimfoundation.org/downloads/publications/2014/2014-iiag-country-profiles.pdf>. Accessed on 8 October 2014.

late 1990s/early 2000s as well as more recently the upgrades made to the private residence of President Zuma at Nkandla. Private sector activities tend to be discussed most often in the context of the competitive behaviour of specific sectors, with the South African Competition Commission pursuing investigations into construction, pharmaceuticals, banks, and private health care among others.

There are a number of public institutions established in South Africa with the aim of dealing with corruption related matters. These include the Auditor General, Public Protector, Public Service Commission, various ombudsmen and independent complaints directorates, as well as investigating units. Within the private sector, those companies that are listed on the JSE are held to high standards of account, including through the King codes of conduct as well as global initiatives such as the UN Global Compact.

Beyond these formal institutions, social dialogue that includes government, business and civil society has been at the heart of South Africa's anti-corruption response since the first interactions took place in 1998. The National Anti Corruption Forum (NACF) was launched in 2001 and has continued make slow progress in facilitating engagement between stakeholders on a range of issues related to combatting corruption in both the public and private spheres. Like NEDLAC in some ways, the NACF has struggled to fulfil its potential because of challenges within the constituencies that participate in its work who have not always put forward effective representation or common positions. There have also been issues surrounding the institutional support for the NACF and the commitment of government to engage.

It is worth mentioning that Parliament and the media both play critical roles in the vibrant democracy that is South Africa. They have the ability to provide oversight and information on the activities of government as well as private sector players. These institutions can provide an important link between the wider population and policymakers so as to ensure that governance structures are held to account and are also required to communicate effectively about their activities.

4. The private sector and peace and security

4.1 Crime and Security in South Africa

At the domestic level, the primary concern in South Africa with regards to peace and security are the ongoing high levels of crime and criminal activity. The official crime statistics in South Africa indicate that there were 17,068 incidents of murder in the country in the year from 1 April 2013 to 31 March 2014 (Africa Check, 2014). There are also significant numbers of other violent crimes reported, including those against women and children. This has resulted in a negative perception of South Africa has an environment in which to live and do business. For example, in the World Economic Forum Global Competitiveness Report 2014 South Africa is rated 133 on the indicator of business costs of crime and violence. The Mo Ibrahim Governance Index also sees South Africa as a relatively unsafe country in comparison to some of its African neighbours.

In the context of the activities of the private sector, there are particular types of criminal activity that can have a direct impact on the business environment. South Africa has an average number of 202 businesses burgled on a daily basis (Africa Check, 2014) and a particularly worrying trend of targeted attacks on large retail operations by armed gangs in the second half of the year. Other criminal activity, such as the theft of cooper cabling or piping, can also have a particularly negative commercial impact due to the disruptions that result to the provision of essential services such as water, electricity and transport.

In response to the challenges of national security in South Africa, the private sector started an initiative in 1996 to support the work of the government to reduce the levels of crime in the country. Business Against Crime South Africa (BACSA) is a “a special purpose vehicle, with the sole mandate to engage and give support to Government on crime-related matters. BACSA has two distinct roles. The first is to get business’ ‘own house in order’ by eliminating crime-enabling processes, systems and approaches, and improving crime prevention measures within the control of business. The second is to partner with Government, when invited, by sharing expertise, information, processes and technologies resident in business. These roles are fulfilled primarily by mobilising business skills and resources in Government-defined areas of need, and the strategic alignment and coordination of business’ anti-crime strategies and priorities.” (BACSA website <http://www.bac.org.za>). While there is still much to be done with regards to the security situation in South Africa, BACSA is widely recognised as a useful vehicle for engagement between the public and private sectors on the issues.

4.2 South Africa as a Regional Peacemaker

Peacebuilding is a priority in South Africa's foreign policy as part of the championing of economic development of Africa (Nganje, 2013, p.2). The DIRCO White Paper (2011, p.20) states that "South Africa will therefore continue to play a leading role in conflict prevention, peacekeeping, peacebuilding, and post-conflict reconstruction" in the Africa section of the document, reflecting the view that peace and stability are important preconditions for economic development. The efforts of South Africa as a peacemaker on the continent have been widely recognised or "acclaimed" as described by the ANC (2012, p. 14). Landsberg (2005, p. 725) notes that by the end of the first decade of democracy, South Africa had become a respected middle power including on the back of its "peacemaking and democratization role in Africa". Importantly South Africa's peacebuilding has been traditionally pursued through partnerships and with deference to the role of African institutions (ANC, 2012, p. 18). According to Qobo (2010, p. 15) "the African orientation has earned South Africa legitimacy and stature in the global community" for its role as a peacemaker.

Traditionally peacebuilding has been viewed as the realm of the State, particularly defence forces and development cooperation agencies. The United Nations (1992, p. 57) has recognised however that peacebuilding includes "sustained, co-operative work to deal with underlying economic, social, cultural and humanitarian problems". Curtis (2012, p. 14) confirms this shift by acknowledging that there is now a "focus on how to restructure economies internally so that countries can attract foreign investment and be better integrated into the global economy" in peacebuilding programmes. Such activities in post-conflict States require cooperation between the public and private sectors or a more multi-track diplomacy approach (McDonald, 2003). Rettberg (2010, p. 4) describes the private sector as a "crucial source of resources, know how, and institutional capacity for building peace".

The Trade Policy and Strategy Framework (DTI, 2012, p. 35) as part of the South African government policy acknowledges the role of the private sector in post conflict restoration even if there are difficulties in partnering with the private sector in peacebuilding (Rettberg, 2010, p. 4) and South Africa's role in its region is no exception. For example interactions with business organisations in the DRC and South Sudan in the past have been limited and ad hoc. These took place normally in the run-up to a State visit or a trade and investment promotion event. Hendricks and Lucey (2013) look at the case study of Burundi and South Africa, identifying five memoranda of understanding and an implementation commission that

resulted from a State visit. However, if there is to be any further progress in the relationship between the two countries with a view to the reconstruction of Burundi then “South Africa should increase coordination between government departments, business and NGOs in order to maximize impact, access commercial opportunities and provide sustainable post conflict development and peacebuilding assistance” (Hendricks and Lucey, 2013).

Similar to the case of South Africa’s economic diplomacy, there is a fine line between engaging with the private sector as a useful player in peacebuilding initiatives and ensuring that these efforts are not perceived as aiming only at commercial gains. Traditionally there have been few direct linkages between South African investment and government actions, except in the case of State owned enterprises or parastatals (such as the South African power utility company – Eskom) (Alden and Soko, 2005, p.381). This has come into question recently when the South African media reported that the presence of South African troops in the Central African Republic (CAR) was linked to ANC business interests in the diamond mining industry there¹⁰. In September 2014, South African government and business leaders were accused of meddling in the 2010 election in Guinea in order to secure mining interests in that country¹¹. These claims have the potential to undermine the good work done by South Africa as a peacemaker on the continent and there is no doubt that they further complicate the interactions with the private sector in the area of peacebuilding.

Recommendations

At the heart of improving the interactions between the public and private sectors in South Africa is the need to strengthen State-business relations at the highest levels in order to develop mutual trust between key stakeholders. Unfortunately NEDLAC is not sufficient as a platform for engagement between South African stakeholders on socio-economic challenges. It has not resulted in the necessary level of coherence in South Africa’s economic policy trajectory, which is needed to provide reassurance to the business community and encourage greater participation in the transformation and development of South Africa and the region. The following are some specific recommendations as to what could be done to achieve more effective cooperation between government and the private sector in South Africa. While

¹⁰ Mail & Guardian, 2013,. <http://mg.co.za/article/2013-03-28-00-central-african-republic-is-this-what-our-soldiers-died-for>.

¹¹ Mail & Guardian, 2014. <http://mg.co.za/article/2014-09-11-sa-spooks-fixed-guinea-poll>.

many of these recommendations require implementation by domestic stakeholders, there is space for support from partners, such as the EU and the US, and this is indicated in specific instances below.

Improving State-Business Relations in South Africa

- At the heart of the challenges in interactions between the public and private sectors in South Africa is a high level of mistrust. This is likely to only be resolved in the long term but can be encouraged through initiatives to improve communication between the State and business. For example, the system of business working groups and advisory councils that was used by President Mbeki (Qobo, 2010) could be revived and something similar put in place to supplement the consultations at NEDLAC.
- Organised business structures in South Africa have suffered a number of setbacks in recent years, which has resulted in there being a gap at the policy level. There is a need to help strengthen those business chambers and organisations that can contribute to the broad-based representation of the views of the private sector as a whole and also provide a much-needed role in sharing information.
- International partners can encourage South Africa to include the private sector in policy debates on issues under discussion through platforms such as the Strategic Partnership between the EU and South Africa.
- There are active groups representing the foreign investment interests of the EU and US in South Africa, such as the American Chamber of Commerce and a relatively new grouping of the European chambers of commerce. These bodies could be used to actively encourage greater levels of interaction between the public and private sectors in South Africa.

Strengthening South Africa's Economic Diplomacy

- As discussed above, economic diplomacy in South Africa has tended to focus on the tools required for trade and investment promotion (which is more related to commercial diplomacy) and multilateral negotiations rather than developing an overarching shared policy vision among key stakeholders. Vickers and Ajulu (2008) called for "a new global economic strategy" that reflects better coordination of South Africa's political and economic diplomacy, particularly in Africa. Similarly Qobo (2010)

suggested more focus and distinctly expressed priorities in the area of economic diplomacy. It is therefore recommended that South Africa develop a comprehensive strategy on its global economic engagements through a consultative process that involves both the public and private sectors.

- Another suggestion is for the South African government to use the approach suggested by Rettberg (2010, p. 4) where strategic engagement and consultation starts with a “critical mass” of firms, with the expansion of this group coming in a later phase. Rather than seeking extensive inclusion of the private sector in economic diplomacy initiatives, including in the rest of Africa, the starting point could be a core group of companies that are already active or have a potential interest. For example, in post-conflict countries like the DRC and South Sudan, a number of South African firms have already been identified by Hendricks and Lucey (2013a, p. 6 and 2013b, p. 3) as those who could be part of a critical mass approach. This group could also include participation by state owned enterprises as well as other civil society representatives so as to ensure a comprehensive approach to reconstruction and peacebuilding.
- In their work on South Africa’s role in the DRC, Hendricks and Lucey (2013a, p.6) suggest, “prescribed ethics for the conduct of business” by South African companies. This echoes a proposal that was put forward by the ANC for a code of conduct. In 2012, the ANC (2012, p.35) noted that some work had already been done on this but it had not been implemented. It is understood that a set of ‘guidelines’ was prepared and that it was discussed with some private sector representatives. It has not yet been finalised and this might be explained by a number of factors, including a possible disinterest from South African firms. It is recommended therefore that further discussions take place between the public and private sectors in South Africa against the backdrop of existing codes of ethics and good practice that are used by firms with a view to identifying if the guidelines for South African companies would add any value. It may be worthwhile to also explore a possible monitoring mechanism to oversee implementation of the guidelines.

Socio-Economic Development

- The recommendations made above on strengthening State-business relations in South Africa will go some way to improving the potential for the socio-economic development plans (such as the National Development Plan) to be fully implemented

and for the their to be some improvements in growth, employment and inequality as a result. The private sector is already actively engaged in supporting a number of priority areas, including education, and these initiatives could be expanded with greater participation from the relevant government agencies as well as other civil society groups. Organised business needs to become better equipped to participate and make effective use of the opportunities provided by the task teams set up to discuss implementation of the NDP.

Governance and Democracy

- South Africa has an active Parliament that is willing and eager to engage in ensuring that good governance is retained in the country. It is a key institution in maintaining a vibrant democracy in South Africa. There is scope for further interactions between the European Parliament and the South African Parliament to deepen exchanges on best practices and common issues.
- The public agencies established to monitor the activities of both the public and private sectors (such as the Public Protector and the Competition Commission) play an important role in South Africa's governance system. They need ongoing moral support from the broader public as well as the private sector. It might not be easy for development partners, such as the EU and US, to play a direct role in supporting these institutions but there could be opportunities to foster linkages with similar bodies in other parts of the world and to include regular interactions on matters of mutual interest.
- As a member of the G-20, South Africa is expected to participate in the anti-corruption activities set out in the work plan for the group. There is a chance there for the EU, US and other G-20 members to review the information submitted by South Africa on its governance structures and to interact on ideas to deal more effectively with corruption. The National Anti Corruption Forum could be supported to become more actively involved in implementing the G-20 recommendations in South Africa.

Peace and Security

- The challenge of combatting crime and criminal activity in South Africa requires the ongoing support of the private sector for initiatives such as Business Against Crime. Such organisations can assist the government in identifying the impact of criminal

activity on the economic development of the country as well as acting as a channel for private sector resources that can complement those deployed by the state to deal with crime.

- The business organisations supporting members from Europe and the US could be encouraged to participate more actively in debates on crime (perhaps through Business Against Crime), including presenting the impact on the investment environment.

Further Research and knowledge development

- South African academics and researchers could be encouraged to engage in more work on State-business relations, including with the support of international partners. To date the published research is very limited and has tended to focus on NEDLAC (e.g. Nattrass and Seekings, 2010). It is also now quite dated.
- When looking at interactions between the public and private sectors, it is always easier to generalise and describe broad trends rather than focus on specific sectors and firms. There is a need for more detailed sector and firm level research that aims to develop a greater understanding of the decision making processes and factors of consideration for South African companies. It is only with that understanding that it will be possible to develop effective mechanisms for engagement on the range of policy issues covered by this paper.
- It might be useful to undertake more detailed case studies on specific initiatives between the public and private sectors in some of the areas discussed in this paper. In the first instance, these could be aligned with the priorities under the EU-South Africa Strategic Partnerships so as to provide useful lessons that could be fed into the discussions between government agencies.

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