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RDP RIP? Reflections on Economic Growth and Development Policy in South Africa

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In the wake of South Africa's first all-race elections in April 1994, President Nelson Mandela declared that nothing would be allowed to stand in the way of implementation of the ANC's Reconstruction and Development Programme (RDP). Initially, there was very wide support for the RDP. Within two years, however, the programme had become so discredited that the separate RDP ministry that had been created in the President's own office was abolished. This paper explains the failure of the RDP, once the centrepiece of the new government's policy programme, and assesses the prospects for future socio-economic reconstruction efforts.

Introduction

In the run-up to the 1994 elections, it was clear that the most urgent and daunting policy challenges for the 'new' South Africa were to generate rapid economic growth whilst simultaneously alleviating the poverty and deprivation affecting the majority of the black population.

The Reconstruction and Development Programme (RDP) was the primary vehicle through which the new Government of National Unity (GNU) sought to address these challenges. In the early days of the GNU, the programme, which set out a broad framework for socio-economic reform, attracted virtually universal political support. However, the RDP came to mean very different things to different people: for some, it constituted a 'vision for the fundamental (in the extreme, for the socialist) transformation' of South African society; for others, it represented little more than a set of loose quantitative targets for measuring progress in specific areas; for yet others, it offered a 'lever' for the reprioritization of government spending.

RDP Ambiguities

The openness of the RDP to different interpretations was both its strength and its weakness: it enabled all major social, political and economic interest groups to unite in support of the programme's broad aims; at the same time, it obscured the lack of consensus about specific - and often controversial - policy issues. Consequently, after the first year, when the GNU's general incapacity to deliver on its election promises in the developmental field became apparent, the RDP became an equally potent symbol of that failure.

The consequent confusion was compounded by significant, but not always widely understood, changes in the RDP itself:

1. The RDP began, in effect, as an election manifesto for the ANC when Cosatu - the trade union element within the ANC alliance - demanded a pact binding the incoming government to policies which would transform South Africa's economy, polity and society. This 'base document' was highly normative, prescriptive and interventionist. It included commitments to explicit targets - in housing, land redistribution, health care, education, electrification, water supply, transport, telecommunications services, and nutritional and environmental standards - to be met within the first five years. It also proposed controversial economic policy stances, including nationalization of private mineral rights and 'strategic' enterprises, a 'demand-driven' land reform programme, racial and gender quotas in public sector employment, and enforcement of non-economic criteria in the provision of financial sector services, including low-income housing finance.

The base document characterized the RDP as 'an integrated, coherent socio-economic policy framework',

stressing the need for consistency between, and sustainability of, the objectives and the means of achieving them. Against the background of a vigorous national debate over the relative policy priorities to be accorded to economic growth versus redistribution of existing income and wealth, it emphasised the interdependence between the twin objectives of reconstruction and development, and sensibly identified infrastructural development in both urban and rural areas as the key to exploiting the linkages.

However, the means by which these outcomes were to be achieved remained unclear. The document also did not attempt any costings, or suggest any priorities (other than the general need to begin to meet basic needs); nor did it acknowledge any serious resource constraints or trade-offs between objectives, or the exigencies of the relatively dire macroeconomic context within which the programme would have to be implemented. Consequently, it was widely criticized as a mere 'wish list' with a disturbing emphasis on state-directed activities, and an ill-disguised suspicion of the market system.

2. A post-election RDP White Paper in November 1994 retained the base document's rhetoric of a 'coherent, integrated transformation programme', but was substantially less prescriptive, more technocratic and more 'market-friendly'. Many of the more contentious policy proposals were dropped or moderated, and it was made clear that the RDP was to function strictly within the limits set by 'responsible' monetary and fiscal policies. These policy shifts paralleled the more general shedding of long-held ideological positions in ANC economic policy thinking. Consequently, despite the continuing lack of clarity on priorities, mechanisms, financing and costs, and despite its still-equivocal stance on the primacy of economic growth, the White Paper received a relatively favourable response from the business community. The programme was subsequently formally adopted in Parliament as government policy.

Meanwhile, however, the actual implementation of the RDP was generating a number of contradictions and challenges:

Bureaucratic structures: An RDP Office was set up within the Office of the State President, under Jay Naidoo - formerly Cosatu's General Secretary - as Minister Without Portfolio. From the outset, however, it was unclear whether or not the RDP Office was intended to be a 'super-ministry', auditing the activities of the line departments, or a development planning ministry initiating new 'transformation' projects. Moreover, though Naidoo himself was a 'full' cabinet minister, his most senior official was accorded the status only of a deputy director general. These institutional uncertainties exacerbated the inevitable

'territorial' disputes between the RDP Office and the various line spending ministries, and subsequently led to tensions between Naidoo and other cabinet ministers, particularly over the apportionment of blame for the failures in delivery.

The RDP Fund: The first post-election budget established an RDP Fund, with an initial allocation in 1994/95 of R2.5 billion, slated to rise by a similar amount in each succeeding year to an eventual R12.5 billion in 1998/99. The Fund - reportedly the brainchild of then Finance Minister, Derek Keys - was specifically directed at initiating a process of change in the selection, implementation, monitoring and evaluation of capital spending projects within the public sector. It was derived from a top-slicing of total government expenditure, with the intention of returning the funds to those line departments who submitted approved bids for capital spending projects which accorded with a set of 'key performance indicators' - more accurately, project characteristics - such as the degree of labour intensity and community participation.

The existence of the Fund created further ambiguities about the role and scope of the RDP and the RDP Office and further undermined their political support:

- * Although Naidoo had sole signing power over the Fund, projects were approved by a cabinet committee, not by the RDP Office, whilst disbursements were made by the Department of Finance which 'administered' the Fund. This added to the bureaucratic complexities and to uncertainty about the procedures for project approval and the ultimate locus of authority.
- * To 'kick-start' the programme, a number of high-profile 'Presidential Lead Projects' were announced by the President in May 1994. The projects - which included free medical care for pregnant women and children under six; a primary school feeding scheme; the electrification of a further 350,000 homes in the first year; rebuilding of township services; and public works job creation programmes in townships - were to be funded jointly by the RDP Fund and the responsible spending departments. However, some of the projects suffered from lack of supportive infrastructure and - especially in the case of the school-feeding scheme - from large-scale fraud, and this contributed to the image of incapacity to deliver.
- * Although not strictly part of the RDP Fund, the RDP Office insisted that all foreign aid should be channelled through it in the interests of proper coordination. The result was a huge

bottleneck which starved many projects of funding and alienated many donors.

- * Many projects funded solely by the line departments, as well as some NGO and private sector projects were labelled 'RDP' even though they had no connection with the Fund or the RDP Office. However, it was also clear that the Fund was always going to be very small relative to total government spending: the R2.5 billion allocated in 1994/95 accounted for less than 2% of total government spending in that year. Consequently, the connection between the RDP as a collection of projects, and the RDP as a 'vision for total societal transformation', began to look somewhat tenuous.

Economic policy issues

Beyond all these difficulties, the lack of connection between the RDP and wider economic policy issues was becoming increasingly problematical. For all its commitment to the RDP, the government was unable to explain how it proposed to deal with the inescapable short-term and long-term conflicts between its stated objectives of faster output, export and employment growth, lower budget deficits, lower tax burdens, increased social welfare provision, and reduced income inequalities. Despite the evident weakening of the radical tradition in ANC economic policy thinking, the effect of the apparent political need to keep the radicals on board was to render the RDP largely devoid of explicit analytical and policy content. Notwithstanding the availability of two recent and comprehensive 'home-grown' economic models - the so-called Normative Economic Model formulated by the outgoing government's Central Economic Advisory Service, and the model developed by the Macroeconomic Research Group (MERG) of ANC-inclined economists - none of the (published) RDP documents made any direct reference to them.

Thus, the RDP offered almost no real clues to the GNU's perceptions of the structural determinants of key variables such as the rate of job creation or of economic growth. This intellectual vacuum helped to render the programme open to numerous different interpretations. In practice, moreover, different ministries - most notably finance and trade and industry - were making and implementing economic policy, if not wholly independently of each other, at least without the benefit of a unifying economic policy vision.

In August 1995, in an attempt to resolve these difficulties, a cabinet coordinating committee on economic policy, chaired by Deputy President Thabo Mbeki, was established. Although this was widely

interpreted as an attempt to reduce Naidoo's influence, the RDP Office remained centrally involved in the policy-making process, and little progress was made. In February, however, Mbeki announced that an interdepartmental team under his leadership was drawing up a new 'growth and development strategy' which would aim at achieving a six percent annual GDP growth rate and the creation of up to 500,000 new jobs annually by the turn of the century. The strategy would also finally address 'significant trade-offs, compromises and sacrifices like shifts in budgets, fiscal discipline, gains in productivity, restructuring of the civil service, tariff reform and a transitional period of hard work'.

RDP Downgraded

Notwithstanding these 'straws in the wind', the abolition of the RDP Office, and the shifting of Jay Naidoo to a quite different portfolio, in the cabinet reshuffle announced at the end of March amounted to a serious - and unexpected - downgrading of the RDP. But these drastic institutional changes do not necessarily imply the end of the RDP itself:

- * The RDP Fund, together with all the associated project planning, monitoring and evaluation functions, has been wholly transferred to the Department of Finance. Though still in the early stages of development, these functions constitute one of the RDP's biggest potential contributions to increased efficiency in the implementation of public sector capital spending projects in South Africa.
- * The development planning functions have been transferred to Mbeki's office. This should put an end to the remaining ambitions of (some of) the RDP Office staff for the establishment of a fully-fledged development planning ministry, but the need for effective development planning will remain. In practice, it is likely that the RDP's emphasis will shift more emphatically to infrastructure development, in both urban and rural areas, and that - in conjunction with the Development Bank - a closer partnership will be sought with the private sector in tackling South Africa's vast infrastructural needs.
- * The economic policy-making and central statistical functions also accrue to Mbeki's office. At least in principle, this should clear the way for the adoption of a more growth-oriented economic strategy and should make the coordination of growth, trade, job-creation, and development policy easier to achieve.

Conclusion

The RDP has served as a powerful symbol and focus for the post-apartheid reconstruction effort. However, it is difficult to avoid the conclusion that, for all its positive features, the RDP has been used by the GNU in general, and the ANC in particular, to defer making some hard choices in respect of economic policies. Moreover, whether in terms of totally 'transforming' South African society, or of delivery of substantial 'developmental' improvements, the RDP must be adjudged to have failed. Consequently, the growing pressures on the government - underlined by the recent currency crisis - to spell out its future economic policies, suggest that the forthcoming 'growth and development strategy' will need to place rather more emphasis on the 'growth' than on the 'development' aspects of the problem. The hard choices cannot be deferred much longer. Following the recent cabinet changes, responsibility for economic policy now rests firmly with the senior partner in the GNU. A practical

and effective solution therefore has to be found to the problem of reconciling the demands of the ANC's major political constituencies with the need to make unavoidable trade-offs. Whether the ANC now has the political will to make these choices, and whether the new growth and development strategy will prove to be the means by which it grasps the nettle remains to be seen. But the lesson afforded by the experience of the RDP is that, however widespread their support, symbols are not a substitute for real policies.

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Responsibility for the views expressed here are the author's alone.

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