



The Black Industrialist Programme's prospects to the advancement of developmental state in South Africa

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Background: South Africa has made considerable progress in terms of economic development since the dawn of democracy in 1994. However, the pace and distribution of that progress have not been equitably reflected across all demographics, especially between black and white people. With a decline of manufacturing, the 'developmental state' has featured as a strong theme to try and reignite industrialisation in the country. Under this framework, one of the policies driven by the South African government is the Black Industrialist Programme, which aims to increase the manufacturing output while empowering black people.

Aim: To investigate the appropriateness of the Black Industrialist Programme as a policy to advance the developmental state framework in South Africa.

Setting: Experience in East Asia regarding developmental states led countries like South Africa to believe that they can also implement such policies to enable the country to industrialise.

Methods: The study employed qualitative research methods using open-ended interviews for primary data and documents collected from various sources for secondary data. The study's qualitative description of the findings derives from the themes that emerged from the research and which employed open-ended questions and research techniques in line with such research techniques.

Results: Findings show that the Black Industrialist Programme policy will have an impact, as its funding model is a significant shift from past practices by assisting aspiring industrialists through grants and preferential procurement measures. However, the study argues that the shift from focusing on general industrialisation to narrowing it to black industrialisation brings with it new constraints in advancing a developmental state.

Conclusions: The research concludes that the programme will contribute to the developmental state concept's progress but will be limited in praxis because the state does not possess a holistic overarching economic developmental plan.

Contribution: The study contributes to the analytical discourse of developmental states by offering context-specific analysis of industrialisation paths for societies addressing racial and economic inequality.

Keywords: developmental states; black industrialists; Black Economic Empowerment; industrialisation; manufacturing.

Introduction

Although statistics show that there has been marked economic growth in South Africa since the dawn of democracy in 1994, it has not necessarily translated into an economically inclusive society. The goal of empowering previously disadvantaged people has dogged successive administrations, and there have been policy actions that have been taken towards addressing this challenge, and these have produced mixed results (Naidoo & Marrie 2015). The country faces many more challenges, and unemployment, according to recent figures, sits at 32.5%, with employment among young people at 55%, while the level of inequality is one of the highest in the world (Gini Coefficient of 0.63) (StatsSA 2021).

The challenge for South Africa's government has been the penetration in terms of numbers of black people in different sectors of the economy, especially manufacturing. The overall ownership participation by black people, particularly black women, and the percentage of the black designated groups and black new entrants who hold rights of ownership in commercial entities

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is low (B-BBEEComm-Report 2018). In a country with such skewed economic patterns, state intervention is usually appealing for leaders. The state in South Africa asserted that they would follow the developmental state route as it happened in East Asia. The new policies of the Black Economic Empowerment (BEE) and Black Industrialist Programme (BIP) are an attempt by the state to restructure and direct the economy towards developmentalism. This article is structured to determine whether the policy of the BIP will have an impact on advancing a developmental state as envisaged by the state in South Africa. It details the developmental state in theory and then moves on to discuss the BEE and the BIP. It then discusses the main points regarding the BIP as it relates to the progression of the developmental state in South Africa, concluding that the industrialisation that led to the developmental state in South Africa is possible with caveats.

Developmental state: The evolution of the concept

The rise of the 'Asian Tigers', whose economies arose remarkably in the late 1960s and 1970s, invoked a debate about a new kind of political-economic model called developmentalism or a developmental state. These economies grew using neither a wholly capitalist nor statist approach. The East Asian Tigers, as they are known, became the fastest-growing economies, and they were in a class distinguishable from other parts of the world – these were the real developmental states. The East Asian model of industrial support relied on targeted assistance to firms and had punitive mechanisms to maintain fairness for the performance of economic actors (Singh & Chen 2018). The reflection of East Asia's growth is evidenced in the whole region, as the Association of Southeast Asian Nations (ASEAN) is one of the most economically viable regions in the world today, with an estimated GDP of USD3.11 trillion in 2020 (Statista 2020). The proportion of the region's population that lives on less than USD1.25 per day has been consistently declining from 47% in 1990, 22% in 2005, to 14% in 2015 (ASEAN 2018).

As the world evolved, it has been noted that the new era of developmental states would not assume the aggressiveness that underlined the East Asian countries' developmental states because the developmentalism of the 21st century is faced with heightened challenges and operates in advanced and complex conditions (Williams 2014). However, the developmental state will expand instead of regressing because its need is still there (Evans 2014). This requires the state to seek new and innovative strategies and tactics and depart from the original developmentalism (Williams 2014). This thinking has led to the expansion of debates around the 'old and new developmentalism' dichotomy, as first registered by Fritz and Menocal (2007).

Conditions for a successful developmental state

East Asian countries provide most of the scope of what a developmental state is and can achieve, but literature has

spread to reflect applications in Africa and Latin America. The market 'guidance' in East Asia resulted from various combinations of factors such as land redistribution, control of the financial system, prioritising industrialisation and promoting and acquiring technology (Craig 2017). The most important conditions for states are development-oriented leadership and state developmental vision; autonomous, efficient and effective bureaucracy; state partnership with the production-tailored private sector; and industrial policy and funding industrialisation. Each of these conditions is discussed below.

Development-oriented leadership and state developmental vision

At the top of the pyramid, there must be state leadership that is preoccupied with bringing forth rapid industrial development and needs to have a coherent development vision (Evans 2008). The government, in this regard, makes development its priority and encourages people to forgo current benefits from growth to maximise investment to achieve this goal. State ministries like the Ministry of International Trade and Industry (MITI) in Japan and the Ministry of Commerce and Industries (MICI) in South Korea were a direct contribution of the state that is development-oriented, and the successful results of conglomerates (*chaebols* and *keiretsu*) strengthened the importance of such planning at a higher level. Political leadership is important in that much of the development that happens is drawn from the position of the leadership present in the country and how the statecraft happens within that particular country (Weiss & Thurbon 2020)

Autonomous, efficient and effective bureaucracy

It is a general view today to state that government must have the capacity to deliver on its policies; however, in developmentalism, that capacity must be coupled with a degree of autonomy. Bureaucratic autonomy provides an avenue for the state and the bureaucratic elites to pursue national goals that can be translated into developmental policies and strategies. Not all countries come endowed with the best bureaucratic capabilities; however, high-quality bureaucratic capabilities can be built fairly quickly with the right kind of policies on education and training (Chang 2015). Education is important for economic development, directly and indirectly. Education increases human resources and directly stimulates technological advancement. Indirectly, education assists in institution-building, and social cohesion and improves social mobility regardless of income levels (SaKong & Koh 2010).

The work of developmental bureaucracy is set firstly to identify and choose the industries to be developed (industrial structure policy) and then, secondly, to identify and choose the best means of rapidly developing and supporting those chosen industries (industrial rationalisation policy). Thirdly, it must supervise competition in the designated strategic sectors to guarantee their economic health and effectiveness.

State partnership with production-tailored private sector (embedded autonomy)

The need for a production-oriented state and private sector is one of the pivotal points to the success of the developmental state. This approach is built on the partnership between the state, labour, private sector and civil society. The developmental state exhibits a characteristic of embedded autonomy which can be described as the:

[A]utonomy of bureaucratised states from social entanglements that gives them a capacity to direct social change, and social 'embeddedness', in turn, especially the links these states forge with business and industrial classes, enables state elites to incorporate these powerful groups in the state's economic project. (Kohli 1994:1287)

The state-market relationship must be paramount but also characterised by the state bureaucracy's active role in economic growth and industrial transformation (Lim & Jang 2006). Another important addition needed for developmentalism to work is the 'embedded autonomy', as propounded by Evans (1995). How the embeddedness is, and the extent of it, becomes the measure of how developmental states succeed. There must be institutionalised connections between elite bureaucracy and private business for consultation and cooperation, an embedded autonomy (Evans 1995).

Industrial policy and funding industrialisation

According to Hayashi (2010), the primary essence of the developmental state model is state-led industrialisation. At its simplest, industrial policy can be described as a 'policy by which governments attempt to shape the sectoral allocation of the economy' (Stiglitz, Lin & Patel 2013:1). Industrialisation, at a basic level, is defined by a move from an economy depending on agriculture to an economy dependent on industries that can manufacture goods massively. Industrialisation is generally understood as 'a process whereby the share of industry in general, and manufacturing in particular, in total economic activity, is increased' (Weiss 2002). Tied with developmentalism is manufacturing, which is considered to be the main engine of economic growth and development. An important factor in the developmental state is the state's ability to fund industrialisation. Industrialisation and innovation take time and are often riddled with uncertainty, and thus 'patient capital', as Mazzucato (2015:149) states, is 'required for the full development of radical innovations'.

The old versus new developmentalism observation

Having described the conditions upon which developmental states rest, Wylde (2018) states that a new-era developmental state may not be static or as necessarily robust as the old developmentalism was. The first feature of the new developmental state is that it is realistically export-led and not protectionist and pessimistic. Unlike the old developmentalism, the new developmental state is not protectionist, because most countries in the global periphery are already over the infant industry stage and are now export-oriented (Bresser-Pereira 2009). Indeed, Evans (2014:222) captures it very well that with the global employment in

manufacturing in the Global South shrinking, 'the world is moving from the physical manipulation of materials to make tangible goods'. The second feature of the new developmental state is the changing global environment that prizes human rights, unity and social cohesion. The changing international and domestic political processes (expanded embeddedness and democratisation) have risen to become one of the main factors of modern societies; so are the changes in the epistemic interpretations of development and environmental issues (limits to pollution and constraints brought by climate change) (Williams 2014).

The third is the issue of capacity; while the East Asian countries were adept at bureaucratic training and succeeded in driving through policies for economic development, the new developmentalism requires a focus on a knowledge economy and improved healthcare. Indeed, the technological advances that have brought in a computerised global interaction will see significant changes as manufacturing (a hallmark of developmental industrialisation) is shrinking in many parts of the world (Evans 2014). In addition, the challenge placed by the rise in financial globalisation and the long-lasting effects of financial and economic crises will rise to prominence as the world becomes prone to shock (Williams 2014). Admittedly, there will be some continuity from the old developmentalism, judging by the fact that macro-economic stability is still a significant pillar that many economies rely upon; it is the same with a stable investment environment. Also, the reliance on active industrial policy from countries like Brazil and India is evidence that old developmentalism endures (Table 1) (Riczy 2018).

Developmental state concept in South Africa

The notion that the developmental state approach is neither viable nor applicable in Africa has been argued as the 'impossibility-theorem' (Mkandawire 2001). The impact of globalisation on national governance, the problem of transferability of institutions and the absence of institutional and governance capacities have all been cited as a hindrance to African states' developmental ambitions. Although there are these misgivings, the relevance of the developmental state, even if in theory, has not waned.

TABLE 1: Old versus new developmentalism: Observations about developmentalism.

Old developmentalism	New developmentalism
A leading role from the state in terms of forced savings and investments in firms	The state has a subsidiary but essential role in both activities
Protectionist and pessimistic	Export-led and realistic
A certain fiscal lassitude	Fiscal discipline
A certain complacency towards inflation	No complacency towards inflation
Repressive and limited human rights	High levels of social unity and cohesion
Did not care about nature, climate and conservation	Must be cognisant of climate change

Source: Author's own with reference to Bresser-Pereira, L., 2006, 'The new developmentalism and conventional orthodoxy', *SEADE's São Paulo em Perspectiva* 20, 1–33. <https://doi.org/10.16993/ibero.195>; Craig, S., 2017, *The developmental state: What does it mean for South Africa?*; Dent, C.M., 2018, 'East Asia's new developmentalism: State capacity, climate change and low-carbon development', *Third World Quarterly* 39(6), 1191–1210. <https://doi.org/10.1080/01436597.2017.1388740>

South Africa has been trying to follow developmental state by attempting to implement measures like land redistribution, prioritising industrialisation and enjoining the state to direct and lead economic activities in the country. These attempts by South Africa's government towards a developmental state course are evident in most policy documents and overarching policies presented by the government and the ruling party since 1994 (RSA 2015a).

The predicament that South Africa found itself in was that as much as the state was against interfering in the economy, the market's ability to fast-track the inclusion of black people in the mainstream economy was slow (Jack 2007). Thus, for economic development and inclusion of black people, it would have to be fostered through careful state intervention – as it would not come of its own accord. It would require active leadership by a capable developmental state (ANC-NGC-Report 2015). Through programmes such as Accelerated and Shared Growth Initiative for South Africa (ASGISA), the state aimed to intervene directly in the economy and reignite the industrialisation that had been long envisaged by the government.

The challenge that has been on the rise in South Africa is that of corruption by state officials, and this has also been linked to BEE and the so-called 'tenderpreneurs' (Coetzee, Daniel & Woolfrey 2012). With multiple programmes being rolled out and contracts being signed off at all spheres of government, including by the state-owned companies, there has been a growing tide of corruption and malfeasance (Georgieva 2017).

Some critics have attacked the idea that South Africa could be a developmental state at all. Fine (2010) states that there need to be visible measures that address the economic development situation for South Africa to call itself a developmental state. However, the African National Congress (ANC)'s Strategy and Tactics document from its National General Council (NGC) (2015) read:

The main goal of state transformation is building a developmental state that provides effective basic services and with capabilities to take forward a far-reaching agenda of national economic development, whilst at the same time placing people and their involvement at the centre of this process. This objective is the guiding principle for the ANC's management of the State. (p. 120)

The Republic of South Africa (RSA) (2011) states that there will be 'critical interventions to build a professional public service, and a state capable of playing a transformative and developmental role in realising the vision for 2030'. While the ANC mentioned in its documents that a developmental state must be implemented in all corners of the state, there seems to have been a failure from the state to enforce it.

Black Economic Empowerment and the Black Industrialist Programme: Waves of evolution

The need to emancipate black people was always tied to the ANC's liberation struggle goals through the National

Democratic Revolution (Jeffery 2016). Black Economic Empowerment is the process by which previously disadvantaged South Africans are being empowered through the transfer of ownership, management and financial control of companies, the multilevel transference of skills and the widespread creation of jobs. Although ideally this is how BEE is supposed to be, in action, it has been seen as a hindrance to economic growth and liberalisation (Brunette, Klaaren & Nqaba 2019). The repurposing of state-owned enterprises (SOEs) to serve corrupt leaders and the redirection of funds meant for BEE led to corruption that has culminated in the commission of inquiry into allegations of state capture, corruption and fraud in the public sector, including organs of the state (Klaaren 2021). There have also been reflections that the policy is cumbersome for businesses and thus poses a hindrance to the country's economy and prospects for transformation (Krüger 2011). This thus led to calls for the government to 'seriously reconsider its transformation agenda and specifically the adoption of BEE practices which appear to have little credibility and receive little support from the managers of companies in South Africa' (Krüger 2011:232). Black Economic Empowerment has traditionally been analysed as being part of three waves (Table 2), pointing to the government approach to BEE as being evolutionary.

First wave of Black Economic Empowerment: Assimilation of elite black people into the economy

After the fall of apartheid, SOEs were some of the business entities that had the potential to engender transformation. The ANC government had identified these entities to be the drivers of BEE. The major problem, as observed by Kurtz (2001), was the capital injection needed for the privatisation of these heavily indebted, previously white government-owned entities into private business hands. Special purpose vehicles (SPVs) were then created by the South African financial institutions to facilitate BEE. These were to support BEE through facilitating black investors' voting control of the SPV through ordinary shares, although a large portion of the advantages lay with the financial institutions (Kurtz 2001).

Under this narrow BEE, the notion was that once the black people owned the resources or acquired equity from the corporations that they sought, they could then achieve transformation by employing more black people in higher positions, and thus the transformation could materialise (Andrews 2008). This could not be further from the truth, both in theory and practice. In the end, the first wave became the mere assimilation of a few black people into the

TABLE 2: Black Economic Empowerment waves or phases since inception.

First wave of BEE (narrow BEE)	Second wave of BEE (charters and scorecard)	Third wave of BEE (black industrialists)
<ul style="list-style-type: none"> • Assimilation of black people into the economy • Share transfer • Few individual 'oligarchs' 	<ul style="list-style-type: none"> • Industry charters • Broadening of base and scope • BEEComm 	<ul style="list-style-type: none"> • Recognition of BEE high failure rates • Concentration on expanding the economy through industrialisation • BIP

BEEComm, Black Economic Empowerment Commission; BIP, Black Industrialist Programme.

TABLE 3: Study thematic findings. Progress of the developmental state looking at the BIP programme.

Theme	Sub-theme
South Africa's industrialisation route to developmentalism: Challenges and prospects	
1. Industrialisation	1.1 Policy fragmentation and gaps 1.2 Manufacturing
Concept of BIP within a developmental state framework	
2. Industrialist-led transformation	2.1 Compliance: Measuring transformation across sectors and the economy 2.2 Transparency and depth
BIP's role in driving industrialisation	
3. Access to markets and localisation	3.1 Opportunities for new markets 3.2 Opportunities for localisation
Role of DFIs as an aspect of industrial of developmental state	
4. Support and funding	4.1 Challenges of funding 4.2 Importance with funding
Challenges against South Africa's industrialisation	
5. Challenges inhibiting developmental state	5.1 Corruption 5.2 Cumbersome regulatory environment

BIP, Black Industrialist Programme; DFI, development finance institution.

Johannesburg Stock Exchange (JSE) through the purchase of equity stakes from white-listed companies. In this period, BEE mainly became about the transfer of shares from corporations to politically connected individuals who would amass large sums of wealth and company directorships, but in the main had very limited business entrepreneurship, acumen and skills to drive the economy for the benefit of other black people (Tangri & Southall 2008). This period of the first 5 years of democracy and BEE created an emergent binary of black businesspeople. On the one hand were BEE pioneers; these were self-made businesspeople and tended to be more independent in their pursuit of wealth. They were distrustful of the black politically connected class, the unemployed and the labour movement. On the other hand were politicians turned into businesspeople; those who, while pursuing wealth, advocated for more state intervention. The latter advocated for the state to use more legislation and policy power to steer the economy towards helping black people (Iheduru 2004). What was also clear was that the state did not envision a policy of bringing black people into industrial spaces like manufacturing in its ideal BEE; the notion of BEE in this era was too narrow and self-serving for the politically connected business elite.

Second wave – Black Economic Empowerment Commission and charters

A commission called the Black Economic Empowerment Commission (BEEComm) was established, bringing together the private sector, government and civil society (BEE-Commission 2001). It is from this commission that a more forceful and targeted state intervention was recommended for transformation to happen. The commission's terms of reference were, *inter alia*, developing a clear and coherent vision and strategy for BEE, locating the empowerment project as part of the transformation of South African society and examining ways in which black business could speak with a united voice. This was critical as the commission took it upon itself to mitigate all the flaws that might come with a comprehensive BEE strategy. The commission recommended a Broad-Based Black Economic Empowerment (BB-BEE)

(BEE-Commission 2001). The *Broad-Based Black Economic Empowerment Act* of 2003 was then promulgated following the commission's conclusion. The objective of this Act was to promote economic transformation and provide meaningful participation by black people in the economy, thereby altering the racial composition of ownership and management in the economy (Jack 2007).

The BEE Commission's intellectual thrust came in its calls for broad-based empowerment rooted in the understanding of black disempowerment and the need for de-racialisation, while in addition calling for the accommodation of full diversity of South African businesses (Southall 2003). After the commission, the government set out to expand the scope of BEE and put pressure on businesses to transform the scope and become broad-based. This second wave was more meaningful in that it tied BEE into departments and industry transformation charters to speed up transformation in collaboration with industry captains (Desai & Maharaj 2008; Hamann, Khagram & Rohan 2008).

Third wave – Promotion of black industrialists

By the end of the first decade of the 21st century, there was a realisation that BEE had not been effective enough to insert a large number of black entrepreneurs into the business world (Matumba & Mondliwa 2015). However, for the state, increasing the size of the economy was a priority to be achieved through industrialisation (RSA 2015a). The BIP is a South African government intervention meant to fast-track BEE and South Africa's industrialisation simultaneously. The Industrial Policy Action Plan (IPAP) Strategy of 2013 pronounced that it should be 'a priority of industrial policy to foster a stratum of majority-owned and – managed black manufacturing enterprises with a long-term interest and commitment to the manufacturing sector' (RSA 2018:13). This initiative would be underscored by a purposeful and targeted approach to insert black people into industrial sectors and support them through financial and nonfinancial sectors, and it would be expressed through the amended BEE policy and the National Industrial Policy Framework (NIPF) (RSA 2015b). According to the state, funding would be channelled through syndicated loans, grant finance from DTI for working capital, dedicated incentive packages from DTI, procurement set aside from SOEs and government funding (RSA 2015b).

Methodology

This study applied a qualitative research methodology to examine the emerging policy of the BIP as a form of economic development and how it relates to the progression of South Africa's developmental state and the imperative of BEE. The research made use of interviews with the stakeholders who are involved in driving the policy both at a policy application level (government) and at a practical level (business associations). Open-ended questions were used to draw the primary data (personal communication) and documentary data collected from libraries and journals were also used. For this study, a total of 17 interviews were conducted.

Purposive sampling was selected to pursue this study because of its suitability for such an inquisition.

This study selected the important stakeholders that are (and will be) important in the Black Industrialist Policy. The first interviewees targeted were those who worked for the government in their official capacity in the fields of transformation and economic development at the DTI. These individuals are central to both policymaking and the application of the policies advancing economic development through BEE. The second group interviewed were the business groupings in the country that are important in industrialisation (manufacturing) and are integral stakeholder as far as industrial policymaking is concerned.

Thirdly, the individuals with intimate policymaking experience in South Africa were interviewed, those who had either worked for the state or consulted with the government in various capacities as academics or specialists. These people were selected for their knowledge and expertise on matters that deal with businesses, as well as their knowledge of BEE and economic development in general. Lastly, the development finance institutions (DFIs), which fund the small businesses that drive industrialisation in the country, were selected. Development finance institutions were included as the main stakeholder, especially as far as developmental funding is concerned. The careful selection of these entities and individuals assisted in this research, especially in obtaining information that is not easily accessible in their published documents and secondary data sources.

Ethical considerations

Ethical clearance to conduct this study was obtained from the University of KwaZulu-Natal Humanities and Social Sciences Research Ethics Committee (reference number: HSS/0018/017D).

Research findings

Key findings suggest effective policymaking for industrialisation in South Africa will happen when there is sufficient partnership between the state and private sector, well-capacitated bureaucracy, and focused ministries. Also, black economic empowerment and black industrialist programme, in particular, has challenges wrought in by fragmented policymaking. Also, the policy is happening whilst manufacturing is stagnant, and industrialisation is not happening as envisaged. Moreover, there is a clear lack of compliance and punitive measures for the transgressors, which are made even more difficult by the lack of transparency and depth. There is a sense that state partnership with the private sectors is inadequate to give a united direction for industrialisation. Bureaucracy is an important part of a well-functioning society that wants to get ahead in terms of service delivery as well as basic economic development. South Africa's bureaucracy lacks efficient skills and education to carry out some of the basic duties that the country needs. Problems with the education system in South Africa scuppers any chance of any near-future positive result in this matter.

Theme 1. Industrialisation

Sub-theme 1.1. Policy fragmentation and gaps

South Africa's attempts at industrialisation have proceeded through a fragmented policy setting. This was apparent in what the respondents relayed, stating that the policies have been fraught with gaps and fragmentation and are not aligned with the private sector strategies. According to Stiglitz et al. (2013), industrial policy implies the state's attempt at shaping the sectoral composition and allocation of the economy. Respondents relayed that there is an effort by the state to prioritise certain sectors over others. The primary essence of the developmental state model is state-led industrialisation, and this requires the state to be capacitated with people who are qualified to do this. This, although acceptable in developmental state theory, has not happened efficiently because it is in their interest to see a consistently capacitated policy environment that from an industry point of view is for the winners and losers to operate. Picking winners and losers in the economy is one of the main facets of industrial policy. In South Africa, the capacity to do this diligently seems to be lacking, because there is a misalignment between private sector interests and government interests.

Sub-theme 1.2. Manufacturing

For economic growth and development, the manufacturing industry is essential (Dent 2018). However, this sector in South Africa has experienced serious challenges that have hindered its success. The government is also interested in spurring manufacturing, but there is a lack of clarity from the respondents on who must lead this process because the government is not proactive, nor is it keen on partnerships. The main thrust of manufacturing, according to respondents, is that it should be driven by entrepreneurs, and the role of government was to create a conducive environment. The BIP's bias towards manufacturing needs to be put into perspective (RSA 2015b). The BIP programme is heavily focused on manufacturing, where few black people participate. A study conducted by KPMG showed that manufacturing lagged behind sectors such as mining (KPMG 2014). It is thus important that BB-BEE is focused on this important sector for job creation to happen, and this is because it can absorb low-skilled workers. Generally, BB-BEE has not performed well in the manufacturing sector. Just by looking only at the value of BB-BEE deals that have happened in South Africa since democracy, it can be deduced that this sector must be supported for it to grow to levels that will be satisfactory to deliver jobs. A study conducted on 100 JSE listed companies showed that the value of BB-BEE in industrials (where manufacturing is concerned) is 2.1% when considered in proportion to other sectors (Theobald et al. 2015).

Theme 2. Industrialist-led transformation

Five government administrations and five programmes (Reconstruction and Development Programme [RDP],

Growth, Employment and Redistribution [GEAR], ASGISA, New Growth Path [NGP] and the National Development Plan [NDP]) have attempted to transform and develop the economy to increase black people's participation in the economy sustainably. The changes initiated in the early 1990s required not only the dismantling of the apartheid economic structure but also called for the provision of a formidable alternative for the inclusion of black people and previously disenfranchised people in the economy. Respondents stated that what governments were to do is transform the economy towards an equitable share between races. They felt that the economy was not structured to transform in the first place, and therefore it is increasingly difficult to change it. In 1994, for example, specific percentages would have been put in place to try and measure what would be required in each sector to increase participation.

In Malaysia, for example, after the racial tensions of 1969, the government instituted policies aimed at improving the lives of ethnic Malays, the Bumiputera. They instituted quota policies for this to happen and specifically stated that they needed to achieve 30% ownership of the economy by the year 1990 (Hamid, Mohamed & Abdullah 2019). The redress policies in Malaysia were ubiquitous and spread across the board, from the education system to sports management; these include commercial licencing, preferential loans, government contracts and affirmative action (Victoria & Ameer 2018). The ruling party in South Africa, the ANC, did not utilise this route of instituting quotas everywhere, but their concern has been, according to the respondent, a trial-and-error approach. Also, in the developmental state of Thailand, the government put in motion detailed policies to help the native population to gain major traction in productive industries. That country had exhibited what is termed 'pariah capitalism', a situation whereby the minority population that is disliked by the majority owns the means of production and the productive assets (Satidporn & Thananithichot 2012).

Sub-theme 2.1. Compliance: Measuring transformation across sectors and the economy

Noncompliance continues to bedevil the state, and the instrument that the state has used is through procurement policies where it has imposed rules for working with the government. Respondents mentioned the challenge that the compliance-driven approach has been an inadequate measurement of transformation, because it does not translate to a real transfer of economic power. They also mentioned that codes of good practice are an accountancy mindset that looks at processes and not impacts. This implies no determined effort by the government to enforce transformation to make sure that there are punitive measures that are more than rhetorical and that are applied to censure companies that fail to transform. Indeed, the policy of BIP (RSA 2015b:7) states that the 'policy seeks to support the black industrialists and it is envisaged that this will serve as drivers of economic transformation through deliberate and coordinated State intervention'. Lack of enforceable compliance mechanisms is

a huge factor in BEE, as many businesses are expected to comply out of generosity, not because of any penalties imposed. One of the critical aspects of industrial policy is not only the ability to pick winners and losers but also the ability to reward or penalise transgressors. Trying to enforce compliance on BEE has not yielded results, as empowerment has not been coupled with equally juridically imposed penalties to fight contempt (Seekings & Natrass 2011). Horwitz and Jain (2011) maintain that BEE codes are legally binding because they are gazetted and derive from the BBBEE Act. However, this argument has not been used to penalise transgressors, and companies are still expected to comply out of their own volition (Horwitz & Jain 2011). Also, respondents decried consequence management in terms of transgressors of the BEE policies, and if those that do not comply are not dealt with, the BIP will likely fall inside the same trap once beneficiaries and likely beneficiaries find a way to dodge it (Seekings & Natrass 2011).

Sub-theme 2.2. Transparency and depth

Policies cannot be created without industry involvement, as one respondent (A director for a manufacturing sector association) stated, and the other (chief executive officer of a business association) said: 'entrepreneurs are born, not made'. These statements agree that the state has to be rolled back, but this notion is weak because there are some states that have been capable of changing their fortunes through state support (Hundt 2015). Leadership is therefore important in directing and giving economic direction for development to happen. This has created leeway for those who oppose change to escape censure and exclusion, because the government does not have proper legally and administratively enforceable legislation to deal with those who do not comply – the BEE policy, for example, is very much voluntary. Although some businesses may be indifferent to BEE, the way that it is structured, especially when a company does business with the state, means that it can cause a loss of business at any point. Government and State-owned entities are required to vet companies that do business with them on the BEE scorecard to see whether they are compliant in terms of empowerment policies. One other way to look at the BIP is that it is an implementation tool for BEE, something the latter has lacked for years. The office of the BEE Commissioner was created to deal with this matter, but there have not been prosecutions to speak about fighting fronting and other malpractices. For one respondent, the problem lies with the government and how it deals with legislation.

Theme 3. Access to markets and localisation

Sub-theme 3.1. Opportunities for new markets

Another important factor for BIP and industrialisation is access to the international markets for locally produced items. This raises the matter of global value chains (GVCs). The GVCs are proving to be an important factor in the 21st century. The value chain can be explained by the 'full range of activities that are required to bring a product or service from conception to delivery to end-user and final disposal after use' (UNECA 2016:5).

South Africa, as a resource-rich country with a potential for manufacturing, has the capabilities to insert itself in GVCs; however, the mindset from the policy perspective would have to change. The BIP does not address the GVC factor adequately, although access to markets is an important factor for the programme to succeed. The already existing value chains are not considerate of the policies of each nation. If a buyer from Germany buys parts from South Africa, they do not care if they are buying from a black, white or Indian company, nor do they know the ownership structure and the shareholding part of that business. They want a top-of-the-range product at a reasonable price. Other East Asian countries that had lower leverage in terms of United States of America (USA) support had to innovate in ways that could help them grow. Singapore, for example, had offices in the USA and Europe to promote their manufactured products but also to attract FDI (Lucero et al. 2015).

Access to market is a core instrument of the BIP programme at the DTI; in their day's work, they engage with all SOEs to alert them when there is tender; however, this may lead to corrupt relationships that are endemic in society, although the department states that this is not preferential treatment (RSA 2015b). However, to succeed globally, these companies that are being aided would have to compete on a market scale and not because of their proximity to DTI.

Sub-theme 3.2. Opportunities for localisation

Opportunities for localisation have also been touted as an opportunity for BIP to play a meaningful role. Respondents mentioned that the industrial sectors have a huge space and potential for small players, especially in sectors such as agriculture industries through agro-processing, renewables and electric car manufacturing (as the country has world-class capability petrol and diesel cars). Parts manufacturers, instrumentals and components are also where the respondents mentioned that the country could increase its comparative advantage. The manufacturing sector contributes 13% to the economy, and if these opportunities for localisation and building small businesses can be doubled, these can be coupled with local economic development (LED) measures, where townships and rural areas can be turned into entrepreneurial hubs. The BIP scheme can enhance these policies and build better communities. This will also help in creating linkages, not just of businesses and markets but of business-to-business at a local level, and allow space for the state to financially support these businesses at a local level. Such designed schemes helped in South Korea and other East Asian countries and this led to the export-led growth experienced by those countries (Suh & Kwon 2014).

Theme 4. Support and funding

Sub-theme 4.1. Challenges of funding

Funding remains a great hurdle to development initiatives, and to mitigate against this effect, BIP focuses squarely on this point. Respondents agreed that while this is an important factor in the development and business support,

in South Africa, this has been fragmented and fraught with red tape. Development finance institutions are mandated to be catalyst investors for economic activity in the country into businesses, and their prominence in developmental states is well noted. In South Korea, for example, the state nationalised the banks to support and direct where investments took place (Suh & Kwon 2014). They drive the economy to promote certain sectors, and as the business begins to be profitable, they can get other funders, and the DFI can move to fulfil its developmental role elsewhere.

Sub-theme 4.2. Importance of funding

One of the areas of focus of the BIP will be on this aspect, and the DFIs will be at the forefront to provide this service. Different DFIs are aimed at business support in the country nationally, provincially and locally. These include the Industrial Development Corporation (IDC), Development Bank of Southern Africa (DBSA), National Empowerment Fund (NEF), National Youth Development Agency (NYDA), etc. The funding for the BIP is as critical as the policy itself, because without it, there can be no guarantee that the programme even exists. One respondent, a DFI manager, commended the DTI on their rigorous selection process, something much appreciated considering other state-funded projects.

Theme 5. Challenges inhibiting South Africa's developmental state

Sub-theme 5.1. Corruption

BEE's corruption has largely been about fronting, state capture and cronyism. Respondents stated that under the previous Zuma administration, these three related phenomena increased. Furthermore, respondents decried the low levels of convictions and legal pursuit of the people found to be using BEE to further their interests. Instead of the engendering of empowerment for the majority of people, BEE has tended to impede it. The tendering system which has produced tenderpreneurs instead of proper entrepreneurs has led to the misdirection of resources. Combine this tendering system with the ANC's policy of cadre deployment, and the result is an unproductive public sector where elitism and cronyism abound, fuelled by proximity to lucrative state resources (Georgieva 2017). Many senior government officials also benefit after leaving office, scoring lucrative contracts even from some of the sectors they oversaw before leaving public office (Seekings & Nattrass 2011). Furthermore, many SOEs were repurposed to serve the cadres of the ANC and the Gupta family to loot resources and sell them when they had a chance (Klaaren 2021).

Sub-theme 5.2. Cumbersome regulatory environment

The government does not have a good track record of policy implementation, and this leads to a cumbersome regulatory environment by the state. According to the respondents, the impact of the regulatory environment as an unintended barrier to access for small and emerging businesses is huge. This is because when governments install regulations on big businesses, the suppliers to those big businesses who may be

small start-ups are also required to have the same standards. This leads to leakage in the system in terms of resources, as some companies who may be looking for a local supplier end up going with another big business or even importing the product. The regulatory environment ends up favouring big businesses as the regulatory burden in product development, which is ill-suited to an emerging enterprise as one respondent remarked. Alignment with the industry and partnerships with sectors can improve the understanding of the state. Seekings and Natrass (2011) had stated before that government focused on forcing businesses to comply with onerous regulations and overlooked their own limits in fostering economic growth. Had the focus been on economic growth and cutting on cumbersome policies, economic growth may have been a reality.

Conclusion and recommendations

The purpose of this article was to examine South Africa's progression towards a developmental state using the BIP as a vehicle. It is evident that challenges that have dogged the country since democracy, such as low levels of black participation in the economy, are what motivated the state to intervene. The BIP policy will have an impact as its funding model is a significant shift from past practices by assisting aspiring industrialists through grants and preferential procurement measures. However, the study argues that the shift from focusing on general industrialisation to narrowing it down to black industrialisation brings with it new constraints in advancing a developmental state. Using race to promote a course towards countrywide industrialisation will have long-term detrimental effects that might deter much-needed investment. Also, the ruling party's cadre deployment policy which impacts skilled bureaucratic recruitment will not assist. Lastly, the challenges with education, skills and training will make attempts to spur industrialisation a challenge, and poor economic planning will militate against the assumed positive impact of the BIP imperatives.

Key findings suggest effective policymaking for industrialisation in South Africa will happen when there is sufficient coordination between the state and private sector, as well as capacitated bureaucracy through education and training. Also, the nonresolution of issues related to corruption and transparency has remained a hurdle for the government. Moreover, there is a clear lack of compliance and punitive measures for the BEE transgressors. In addition, BEE and BIP programme has challenges wrought by fragmented policymaking, meaning that a coordination ministry with a proper overarching plan is needed to sidestep a cumbersome regulatory environment.

To conclude, three issues are raised by way of recommendations; firstly, transformation needs to be presented not only as a chance to redress the ills of the past, but it must also involve the future in terms of what the country wants to look like. South Africa is a multiracial country, and transformation must not be about transferring economic resources from black to white people but must be

about how best the country can utilise the available resources to create an inclusive, equitable growth that will in future be reflective of the realities and demographics. This does not need speed; it needs deftness and understanding from the state that development is continuous; it will always happen (or not), but how it proceeds is important.

Secondly, with the BIP policy, South Africa's government is focusing on 'industrialists' and not 'industrialisation'. This focus may disregard intra-black inequities and further hamper a march to holistic industrialisation. In Malaysia, for example, the challenges that are now being faced by that country result from the intra-Bumiputera wealth disparities. That is why a holistic approach to BEE is needed from the state and must proceed honestly and transparently. This must account for affirmative action, the wealth gap and disparities among black people, and this must be in line with the developmental priorities of the state.

Lastly, forging industrial growth happens when clusters and conglomerates are created, as instructed by the East Asian experience. The fixation with changing the colour of business in South Africa is likely to cloud the state's focus, as it looks like it is creating parallel business structures to be either supported or not supported. Some existing manufacturing capacity still rests with the experienced (mostly white) people. The government needs to tap into this experience by creating incentives for these companies to assist with the transformation. This, however, must not disregard the resistance and noncompliance that BEE has engendered; but if there are punitive measures put in place, there must also be incentives for those who want to play their part.

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Authors' contributions

The role of M.V. was that of conceptualising and writing the document, while that of C.M. was supervision. The final draft was put together by M.V. and with oversight by C.M. The contributions were equal to the task required.

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