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## Article

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# South Africa's economic response to the Covid-19 crisis: a post-pandemic shift or more of the same?

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*Many observers see the Covid-19 crisis as marking a major shift in neoliberal globalization. We analyze this question from the perspective of South Africa. We argue that the 2020 crisis has not precipitated a major shift as much as it has rapidly accelerated trends which were already under way since 2008. We illustrate this through an account of political and economic developments in South Africa since 2008, showing how ongoing trends shaped the government's economic response to the Covid-19 crisis. We argue that the South African case illustrates broader trends in global capitalism. It suggests some significant departures from the version of neoliberal globalization that has prevailed in the past few decades. But on the fundamental question of the balance of economic power both between classes and between the global South and North, there is little reason for optimism.*

**Keywords:** Covid-19, South Africa, industrial policy, neoliberalism, energy transition

**JEL codes:** I18, L50, O55, P16

## 1 INTRODUCTION

The 2008 Global Financial Crisis was widely seen as a 'systemic crisis of neoliberalism' (Kotz 2009). Even many elites, such as the then Australian Prime Minister Kevin Rudd, took the crisis as evidence that 'the great neo-liberal experiment of the [preceding] 30 years has failed' (Rudd 2009). However, if we take neoliberalism to mean an ideological and policy orientation in favour of markets as the main institutions for organizing social and economic life, then the effects of the 2008 crisis are not entirely clear 15 years later. Analysis over the long decade between 2008 and the 2020 Covid-19 pandemic mostly concluded that this ideological basis of neoliberalism survived, even if in a 'zombie' or 'mutated' form (Crouch 2011; Farnsworth/ Irving 2018; Peck 2010; Peck/Theodore 2019).

In the wake of the Covid-19 pandemic, there has been a revival of predictions that a fundamental shift in the dominant ideology shaping the world economy is taking place. Many have, for example, speculated about the degree to which the Covid-19 crisis might mark the 'end of globalization' (Olivíé/Gracia 2020; Posen 2022), driven by processes of

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‘reshoring’ or ‘deglobalization’ in a context of declining levels of global trade and the rise of a variety of populist forces. These trends are seen as not only a response to the disruptions of the pandemic, but also as an outcome of a renewed enthusiasm for interventionist industrial strategy in wealthy countries. Feygin/Gilman (2023) argue, for example, that across the political spectrum in the United States there is ‘an emerging consensus in favor of industrial strategy’ which ‘represents a reframing of the relationship between the state and the economy, one potentially as transformational to American capitalism as the New Deal was in the 1930s or Reaganism was in the 1980s’.

Should we view such predictions with scepticism, given the ‘non-death of neoliberalism’ that followed the 2008 crisis? Or is there a reason to believe that a major transformation is under way? And if so, are the developments being observed in the Global North – such as increased space for state-directed development and re-nationalization of the economy – also present or likely to emerge in the Global South?

This article analyzes this question from the perspective of South Africa. In the South African case, we argue, we cannot consider the 2020 and 2008 crises in isolation, but must rather see their effects as interlinked. If we ask whether and how the Covid-19 crisis has shifted the status quo, we must first see how the status quo before 2020 was already in flux in response to the effects of the 2008 crisis. From this perspective, the 2020 crisis has not precipitated a major shift as much as it has rapidly accelerated trends that were already under way since 2008. The relationship between these changes and neoliberalism is complex. On the one hand, there is increased discussion of state intervention and what appear to be revitalized national development policies, as evidenced by the role of industrial policy in the government’s economic response to Covid-19. However, the potential impact of such policy is constrained by the simultaneous expansion of market power, as evidenced by the unprecedented expansion of the role of private capital in one of the centrepieces of the economic response to Covid-19, namely an expansion of infrastructure with a special focus on energy.

Much of our account focuses on the specific experiences of South Africa over the period since 2008, such as the intense elite factional struggles that have dominated the country’s politics over this period. However, we argue that, despite the many particularities of our case, the account we provide reflects broader global shifts in neoliberal ideology and policy, with relevance far beyond South Africa. Our paper is organized as follows. Section 2 gives an account of how the 2008 crisis and its aftermath has shaped South African politics over the past 15 years. We do this to show the complex political and ideological situation in the country when the Covid-19 crisis struck in 2020. Section 3 turns to the Covid-19 crisis and the state’s response, and is organized in three parts. We first give a brief account of the emergency measures introduced in the weeks and months after the pandemic struck. We then turn to an analysis of the Economic Reconstruction and Recover Plan (ERRP), which was launched in October of 2020 as the government’s primary policy response to the economic effects of the pandemic. We illustrate the combination of both increased attention to national development alongside an enormous expansion of the role of private capital in one of the basic functions of the state, namely the delivery of basic public infrastructure. The final part of this section focuses on the energy transition, one of the central pillars of the ERRP which illustrates many of the contradictions we identify in the previous parts. We end with a conclusion which summarizes the argument and links the South African case to broader global trends.

## 2 SOUTH AFRICAN AND THE LONG DECADE FROM 2008–2020

The achievement of democracy in South Africa in 1994 coincided with the ascendancy of neoliberal ideology and the Washington Consensus. The shift of the ruling African

National Congress (ANC) party from its historical position as a left-leaning social democratic organization to an enthusiastic adherent of neoliberal orthodoxy has been well documented (Marais 2011). This is exemplified by the 1996 adoption of the Growth, Employment, and Redistribution (GEAR) policy framework, an explicitly neoliberal package widely described as a 'homegrown structural adjustment program'. From the mid-1990s up until the 2008 crisis, South Africa could be regarded as one of the more enthusiastic adopters of neoliberal orthodoxy in the Global South, with the government maintaining a strong commitment to austerity, as well as an ideological preference for the market over the state. While there was resistance to neoliberalism from trade unions and left forces, at the level of state and business elites, this was a period in which neoliberal ideology was dominant.

Prior to the 2008 crisis, the South African economy had experienced more than a decade of sustained economic growth, buoyed by the high commodity prices of that period. The neoliberal policies that were in place meant that the country entered the crisis with a budget surplus and a debt-to-GDP ratio which had been consistently declining and sat under 30 per cent. Indeed, the IMF in 2008 praised South Africa for 'sound macroeconomic policies [that] helped cushion the impact of South Africa's first recession since 1992' (Ramcharan 2009). Proponents of neoliberalism within the South African government, such as Finance Minister Trevor Manuel, were also optimistic about how the policies of the preceding decade would shield the country from the worst effects of the crisis (Padayachee 2014: 157).

However, the popular sentiment in South Africa at the time did not match the positive view of neoliberal elites. Despite the 'success' of the decade-plus neoliberal policies in South Africa from the point of view of finance, large corporates, and much of the new political elite, the country continued to experience levels of inequality and unemployment virtually unmatched elsewhere in the world. The growth of the previous decade had been largely jobless and partially driven by debt (Mohamed 2017). When faced with a sharp rise in unemployment and a further entrenchment of inequality, many viewed the crisis as a repudiation, rather than vindication, of the decade-plus of neoliberal economic policy that had preceded it.

The popular discontent was exemplified by the removal, by the ruling ANC, of Thabo Mbeki as president and his subsequent replacement with Jacob Zuma, in the months after the crisis. It cannot be claimed that Zuma's rise was a direct outcome of the 2008 crisis. The bitter leadership contest within the ANC had been ongoing when the crisis arrived, and Mbeki resigned in September of 2008, before any significant effects of the crisis were felt in the country. However, the rise of Zuma and the political project he came to represent also cannot be understood outside of the context of the crisis and its effects on the hegemonic position of neoliberal ideology among the South African elites.

At the time of Zuma's ascendancy to the presidency, he was seen as an ally of the left, despite lacking firm policy commitments. He enjoyed support of important sections of the ruling 'tripartite alliance', including the largest union federation, COSATU, which hoped that Zuma's presidency might represent South Africa's version of the Latin American pink tide (Vavi 2012), and the South African Communist Party (SACP), though not without internal debate on the issue. The fruits of this alliance were seen in some of the early economic policy initiatives, which included the appointment of the SACP's Rob Davies as Minister of Trade and Industry, and the creation of a new Department of Economic Development with long-time trade-unionist Ebrahim Patel as its first minister. A new policy framework called the New Growth Path (NGP) was adopted, which included a commitment to a more interventionist and reinvigorated industrial policy, and a strong emphasis on state infrastructure investment, in considerable contrast to the scattered

supply-side industrial policy which characterized the GEAR years – though the NGP framework was criticized at the time (Ashman 2011). Increasingly, South African government documents and politicians spoke about the ambition for the country to be an effective ‘democratic developmental state’, though critics at the time pointed out this was likely to be more of a pipe dream than a reality without more wide-reaching shifts in policy, particularly greater control over finance (Ashman et al. 2010).

While most attention in the years of Zuma’s rise and early presidency was centred on his alliance with the left, other constituencies would prove to be crucial in shaping events, including the wealthy Indian business family, the Guptas; sections of South Africa’s aspirant new elite; and black capital. All these groups had success in carving out networks within the South African state to promote their own advancement. This ‘state capture’ project was defined by short-term opportunism and plunder and not by any ideological commitment or long-term development strategy – despite the appeals by some to the occasional rhetoric of ‘radical economic transformation’, which this project certainly did not promise for the majority. However, Karl von Holdt (2019: 3) argues that, while ‘state capture’ was not developmental, it should still be understood as a political project that aimed to counter the aspirant black elite’s economic exclusion by the neoliberal status quo, and to instead accelerate class-formation of a new black elite.

While this grouping developed as a distinct faction within both the ANC and the State, in opposition to the established neoliberal elite, its relationship to neoliberalism is complex, not least because of its use of financial liberalization to offshore the gains of its plunder (Open Secrets 2020). Indeed, the South African case is an example of how neoliberalism and financialization have globally undermined both inclusive development and democracy (Karwowski 2019). The state capture faction resented the neoliberal status quo, as they felt shut out of an economy which remained dominated by large corporate groupings, now largely globalized and financialized since apartheid. Yet their pursuit of narrow self-advancement has only reinforced the neoliberal weakening of the state even further.

Importantly, this grouping has had little regard for the stability and functioning of state institutions, and indeed, many sections of the state in which the state capture faction gained power experienced catastrophic collapse, including state-owned enterprises that oversaw the electricity and rail systems as well as municipal and provincial departments in many parts of the country. There have been intense struggles over control of the institutions which may or may not prosecute those deemed to have transgressed the law – the police, the NPA, intelligence agencies, SARS – and to subordinate these institutions to factional accumulation strategies. The state capture faction also established a network of party leaders within the ANC and in senior leadership positions who were loyal to Zuma – the so-called ‘Premier League’. These practices, including their violent aspects, have become integral part of elite formation, contributing to the ongoing instability within the ANC. Authoritarianism is carefully blended with the gains to be made from patronage.

It is also important to note that, while the state capture project was powerful and came to dominate many parts of the state apparatus, it was never uncontested. Throughout the decade of Zuma’s presidency, there was an ongoing and often bitter struggle between what might be called the neoliberal faction, centred on the Treasury, and the statue capture faction.

This context had profound consequences for the nascent post-2008 developmentalist policies. Of course, the global economic context was harsh. But in addition to that we see, first, the capacity of the state, essential for any developmental policies, was severely undermined. Second, there was a great deal of distrust and scepticism of state action from the neoliberal elite within the state as well as from the capitalist class. Third,

the mainstream macroeconomic policy framework continued. Finally, the developmental policies remained isolated within the state and were not part of a broad package of developmentalism that would be worthy of the descriptor 'a developmental state'. Industrial policy was instituted, but it was not coordinated with other policies necessary to drive (re-)industrialization. Infrastructure investment actually declined across the period. The neoliberal faction resisted increased state spending, and the state capture faction prioritized short-term personal enrichment over long-term investment.

The New Growth Path targeted the creation of five million new jobs between 2010 and 2020. Taking into account the pandemic year of 2020, the level of jobs over the period was flat. However, even taking 2019 as the final year, just over one million jobs were added, a pace which just kept up with the growth of the size of the total labour force, and therefore did nothing to lower unemployment. Manufacturing was targeted to provide 350,000 of the planned for new jobs, however, total employment in manufacturing has actually fallen since 2008, and this was the case even before the Covid-19 pandemic.

However, a full account of the effects of the 2008 crisis must also now take into account the Covid-19 crisis, which took place in the context that we have described in this section. To briefly summarize, if before 2008 neoliberalism was hegemonic among the elite in South Africa, in the aftermath of 2008, the elite has become increasingly factionalized and divided. While both the financial crisis and the shift from Mbeki to Zuma opened space for more developmental approaches, these have been squeezed out between neoliberalism and corruption. Furthermore, the severity of institutional decline associated with state capture engendered widespread distrust of the state among the general public. This gave neoliberal elites a new, and effective, line of critique against state-led development initiatives, which, as we will show below, has been important in the response to the Covid-19 crisis. The ANC's replacement of Jacob Zuma with Cyril Ramaphosa as president in 2018 represented a clear but narrow victory for the neoliberal faction of the state. The narrowness of the victory has weakened Ramaphosa's presidency, as he took over a deeply divided state and ANC, where corrupt elites retained real power and influence both in the state and the ruling party. This has important implications for South Africa's response to the Covid-19 crisis. It is this response that we turn to in the next section.

### 3 SOUTH AFRICA'S RESPONSE TO COVID-19

#### 3.1 The immediate response in 2020

The Covid-19 crisis was not a 'normal' economic crisis, but a health emergency which precipitated a degree of economic disruption that has few parallels in the history of global capitalism. Both the novel form and scale of the crisis clearly have the potential to shift existing ideology and policy orthodoxy. A transformation of the status quo seemed to be apparent in the immediate economic responses of governments across the world, including South Africa. However, as we have described in Section 2, the 'status quo' was already a situation of contestation and flux even before the pandemic struck.

In the first months of the pandemic in 2020, the South African government hastily announced a major stimulus package with an announced size of Rand (R)500 bn, or 10 per cent of GDP. The final size of South Africa's stimulus relative to GDP was not high in comparison to peer countries in part because a portion of the announced value was actually the re-purposing of existing spending rather than new stimulus. However, the package was still remarkable for the fact that it came at a moment when South Africa's macroeconomic position was already strained. The debt-to-GDP ratio had risen from the post-apartheid low of 27.8 per cent in 2008 to a high of 70.7 per cent in 2020.

The country had, in 2017, undergone a downgrading of its investment status by two of the three major credit rating agencies, and in the months before the Covid-19 crisis, there was a great deal of energy spent to stave off downgrading by the final agency, Moodys (which did downgrade South Africa in the first months of the pandemic). This was an environment where large deficit spending seemed highly unlikely, and yet the rescue package enjoyed broad political support.

Beyond the mere fact of deficit spending, the nature of some key pillars of the response was also novel. The government introduced a wage subsidy programme called the Covid-19 Temporary Employer-Employee Relief Scheme (TERS). TERS directly subsidized wages to the value of R59 billion reaching 5.4 million workers (roughly 20 per cent of the total labour force) in the first year of the pandemic (Köhler/Hill 2022). For the large section of the labour force that is unemployed or in informal work, and therefore not eligible to benefit from TERS, the government temporarily increased the amount of all social grant payments.

Perhaps the most striking break with previous neoliberal orthodoxy was the introduction of a new grant of R350 per month for all people who were unemployed and did not have access to existing grants. While South Africa has long had a relatively generous system of social grants, these were always only available to groups seen as 'legitimately' outside of the labour market, namely elderly people, mothers of young children, and disabled people. Even though South Africa has had persistently high levels of structural unemployment, there has been a deep-seated scepticism among the ruling ANC about the provision of grants to non-disabled working-age unemployed people (Barchiesi 2007). Even the temporary introduction of the Covid-19 grant was therefore noteworthy, but importantly the grant became a major political issue in the months and years after its initial introduction. Although it was meant to be temporary, it has been extended multiple times, and it now seems likely that some version of the grant could be made permanent and – some argue – the basis for the introduction of a Universal Basic Income grant. This would constitute a change to the social protection system which seemed virtually impossible in the years before the pandemic.

It was rapid and unprecedented forms of state action like what we have described above that led to the debates around the world about the possibility that the Covid-19 pandemic has precipitated a fundamental shift in neoliberal globalization. In the South African context, given the scenario of the ongoing elite factional struggles, such robust intervention to address the Covid-19 emergency could have portended a revitalization of the developmental thrust that had failed in the post-2008 period. However, what seems to be emerging is neither a resurgent developmentalism nor is it a simple return to the neoliberal status quo. For a full picture, it is necessary to look beyond the immediate emergency responses of the government and to consider how the pandemic is being used to explain and justify new direction of economic and development policy.

### 3.2 The turn to international financial institutions

Importantly, in order to finance the cost of the emergency response in the challenging macro-economic context that South Africa faced, the government turned to international financial institutions (IFIs). South Africa's foreign debt had already been growing in 2010s, both in absolute terms and relative to GDP, however, it reached a new peak in 2020. Most symbolic of this shift was the government's request for an emergency loan of US\$4.3 billion in July of 2020. This was an important moment, as the government had long taken pride in the fact that it had not received IMF support in the democratic period. This new reliance on IFIs was reinforced by the government's 2021 signing of a new 'Country Partnership Framework' with the



World Bank and with its subsequent receipt of a US\$750 million World Bank loan. Importantly this was the first time South Africa had received direct funding to the national government from the World Bank, with all previous loans from the bank going to state-owned enterprises (SOEs) to support specific projects. The new loan is framed as supporting South Africa's Covid-19 response, and it sets out a number of goals in this regard, but it takes the form of general 'budget support' rather than project-specific financing (Forslund 2022).

The fact that the pandemic crisis created both the political space for new forms of state intervention, such as the provision of social grants to working-age unemployed people, while simultaneously increasing the influence of the IFIs beyond the levels seen throughout the neoliberal era exemplifies the contradictory effects of the pandemic crisis. These contradictions are also evident in the Government's Economic Reconstruction and Recovery Plan (ERRP), the main policy framework guiding the economic and developmental response to Covid-19, and the policy framework that the World Bank's loan is intended to support.

### 3.3 The ERRP and industrialization

The ERRP was formulated by Government and negotiated, in the first months of the pandemic, in the National Economic Development and Labour Council (NEDLAC), South Africa's statutory tripartite institution in which key economic policy is debated. The ERRP was officially announced by the president to a special joint seating of Parliament in October of 2020. This background is important because, while some components of the plan are not directly related to the pandemic itself, and major elements of the plan were even introduced before the Covid-19 pandemic, the ERRP constitutes South Africa's main economic response to the Covid-19 crisis, and would therefore be the place to see any potential shifts in ideology or policy approach.

The plan has four pillars: infrastructure, industrial policy, employment stimulus, and energy transition. The inclusion of industrial policy illustrates the complex nature of the overall response. As we have outlined above, a focus on industrial policy first featured as part of the post-2008 Zuma presidency, and was guided by Industrial Policy Action Plans (IPAPS), but was ultimately isolated and largely unsuccessful. It is noteworthy that, like so many elements of the ERRP, the attempt to revitalize the state's push for industrialization actually began before the pandemic, in 2018 after Ramaphosa replaced Zuma as president.

The core of this renewed industrialization drive has been the formation of 'Master Plans' for strategic sectors. Master plans have been formulated for Automobiles, Clothing and Textiles, Sugar, Chicken, Forestry, Steel, Furniture, and the Creative sectors. The specifics of the Master Plans differ for each sector, but the overall initiative is, in part, an attempt to re-establish 'constructive' relations between the state and the private sector after a perceived breakdown during the state capture years, and a number of the plans have been jointly funded by the private sector.

The Covid-19 pandemic obviously served as a disruption to the Master Plan process, but it has also given it new attention as it has been incorporated into the official Covid-19 response. Some of the Master Plans were only launched during the pandemic. Again, while this has limited many of the initiatives and necessitated revision of targets and forecasts set before the pandemic, it is also possible that it fostered increased cooperation. The emergency nature of the pandemic – with lockdowns, testing requirements, and so many other logistical issues that impacted business – seems to have given urgency and purpose to the engagements between business and government (own interviews). The fact that the Master Plans happened to be launched at the same time meant that much of this engagement took place under the umbrella of the state's industrial policy initiative.



On the surface, it might seem surprising that this renewal of industrial policy was initiated by the Ramaphosa government, which is associated with the neoliberal faction of ANC politics. However, we argue that the attention to extremely limited industrial policy also reflects broader emerging changes in dominant ideological and policy positions among the neoliberal elite in the post-Covid-19 period, both within South Africa and also globally. Importantly, the form of the industrial policy the ERRP takes is a narrow and isolated one, as was described for the post-2008 period above. There are some significant departures from previously dominant neoliberal orthodoxy in the Master Plans, such as an increased willingness to use tariff protections, a focus on production for the domestic market alongside export orientation, and a more assertive nationalism, even towards multinational corporations, in efforts to promote racial transformation of ownership and localization. However, the developmental efforts that inform the industrial policy do not extend to other key aspects of state economic policy, just as was the case in the post-2008 development program. It seems that increased space for this kind of narrow national industrial development agenda is increasingly accepted by global neoliberal elites as a part of the overall package of development policies, as long as it is on particular terms. To understand why, in the South African case, it is important to see how industrial policy fits into the overall response to Covid-19.

### 3.4 The ERRP and infrastructure

Another component of the Covid-19 response is a massive expansion of infrastructure development, which the ERRP document promises will play 'a leading role in South Africa's economic reconstruction and recovery' (Government of South Africa 2020: 10). The infrastructure initiative is envisioned to provide immediate stimulus to employment and aggregate demand while also having knock on effects on key South African industries covered by industrial policy, especially steel manufacturing (*Ibid.*). Again, this echoes Zuma-era policy, which promised to combine industrial policy with infrastructure investment. South Africa faces a massive backlog in infrastructure investment, one cause of which is the failure of the state capture faction to deliver on the infrastructure investment it promised.

In contrast to the NGP proposals, the ERRP's infrastructure push is to be largely financed by the private sector through blended finance, where the state uses public funds to minimize risks and thereby attract increased private sector investment. As part of the ERRP process, the state has established a new government agency, Infrastructure South Africa, 'as the single point of entry for accelerated infrastructure investment, with a particular focus on both public and private sector catalytic social and economic infrastructure projects'. Alongside the new agency, the ERRP also highlights the role of the Infrastructure Fund, established under the Development Bank of South Africa, which will aim to 'provide R100 billion in blended finance over the next decade, leveraging as much as R1 trillion in new [private] investment for strategic infrastructure projects' (The Presidency n.d.: 11).

As with industrial policy, this renewed focus on infrastructure predates the Covid-19 crisis. The Department of Public Works was renamed the Department of Public Works and Infrastructure when Ramaphosa formed his cabinet after national elections in 2019. The Infrastructure Fund was first announced by the president in 2018 during his first few months in office, although it was officially constituted in August of 2020, at the height of the Covid-19 health and economic crisis.

The need for private investment is framed in policy documents as a response to the difficult economic environment created by the Covid-19 pandemic as well as by the decline in state capacity that took place in the era of the state capture faction's dominance (Department of Public Works and Infrastructure 2022; Government of South Africa 2020). However, the National Infrastructure Plan, gazetted by the Government in 2022, also notes that

while ‘... historically infrastructure has been financed by tax revenue and through debt issued by government or SOEs ... opportunities to raise finance through other [private sector] means have developed considerably over the past two decades’ (Department of Public Works and Infrastructure 2022: 57). Indeed, South Africa’s turn to private infrastructure investment is part of a larger global trend pushed by the World Bank, the G20, and other international actors with the argument that ‘the mobilisation of substantial private savings – estimated at over \$12 trillion – from global institutional investors, like pension funds and insurance companies, can both finance and profit from investments in strategic infrastructure’ (Phalatse 2022: 10).

As Phalatse notes, the use of blended finance entails a number of risks for the state. A main ‘concern is that the government will take on a much larger share of risks to supplement its lack of financing in this area, which will have severe cost implications if not managed appropriately’ (Ibid.: 34). This assumption of risk can take multiple forms, including subsidies and incentives and extending all the way to guaranteed minimum revenue for the life of a given project. These have the potential to saddle the public fiscus with major financial obligations over long periods.

The ERRP highlights the need for policy reform to promote the expansion of various forms of blended finance. This includes reforms to promote both the entry of South African private capital into the sector as well as to encourage government entities to pursue private financing. For example, the Pension Funds Act is being amended to remove restrictions on investments previously seen as too risky for pension funds, including public infrastructure projects. The National Treasury guidelines, which govern how public entities procure infrastructure, are being amended to encourage the consideration of PPPs as a standard part of any initiation of new infrastructure. Similarly, the Municipal Finance Management Act is being amended to remove what are now framed as overly restrictive requirements for Municipalities to demonstrate that ‘PPP’s are preferable to normal on-budget procurement’ (Department of Public Works and Infrastructure 2022: 58).

The infrastructure initiative constitutes a major shift in one of the fundamental activities of government, namely the provision of basic economic and social infrastructure. It heralds not only a new type of financing, but also a profound shift in the role of government and a retreat from the concept of non-market public goods. Of course, it could be argued that such a shift is not new, as the intrusion of the market into public provision is a foundational tenet of the neoliberal era of the past 40 years. However, it is evidence of how significant these recent developments are that even the 2003 Municipal Finance Management Act (MFMA) included language which discouraged PPPs in favour of publicly financed projects. The year 2003 was the height GEAR-era neoliberalism locally. However, even at that time there was contestation of the idea of the privatization of public infrastructure, as evidenced by the MFMA.

In contrast, the push for privatization seems almost entirely uncontested today. There are a number of reasons for this situation. As we have mentioned, the policy documents themselves frame the turn to privatization as necessitated by both the years of state capture and the Covid-19 crisis itself. This argument is powerful as it is largely true that state capture has damaged state capacity and the current economic environment is particularly negative for South Africa. The country is in the midst of more than a decade of regular rolling blackouts which have become a daily reality. Other basic public infrastructure such as roads and water are in decline. In this context, there is widespread public distrust in the government.

This is the reality of the deep crisis that South Africa faces. The state is severely weakened, and there is neither an elite faction nor a significant mobilized popular force which has the interest or ability to rebuild it in a way that would provide a broad developmental

state premised on democratic control. In the next section, we turn to the issue of the energy transition in South Africa. This is a third pillar of the ERRP and it is one that provides a clear example of the political economic landscape that is emerging out of the context we have described above.

### 3.5 Energy in crisis

South Africa has a particularly carbon-intensive economy as the state-owned Eskom generates the country's electricity primarily via coal-fired power stations. Historically, Eskom has been at the core of South Africa's Minerals-Energy Complex (MEC), supplying cheap power to big mining companies, an MEC which is now increasingly fragmented (Ashman 2023; Burton et al. 2023). Like other elements of the ERRP, the issue of the energy transition, and specifically how to achieve a 'just transition', was a key policy debate in South Africa even before 2020, and ongoing trends have been accelerated by the current crisis.

The push for energy transition has been driven by a number of factors at both the national and international level. First, the South African government has made commitments to meeting international targets for reduction in carbon emissions. Second, the European Union (EU)'s carbon border taxes, soon to be phased in, are also a major consideration for South African firms as the EU is a major export destination. Third, there is Eskom's crisis itself. Regular and repeated rolling blackouts have created an intense crisis across both economy and society – for businesses, municipalities, and for consumers/households. Fourth, investors are increasingly shying away from new investments in coal.

Energy transition features prominently in the World Bank Country Partnership Agreement, which was established to fund the government's Covid-19 response. It highlights the energy transition and the risks of climate change as a binding constraint. However, the measures it puts forward are familiar, including increasing competition through privatization and the leveraging of funds for industry to make the transition. These policies are likely to increase fragmentation across the energy system and the economy as a whole.

A centrepiece of government's plans is to break up and privatize Eskom rather than rebuild it (AIDC 2020). Further driving fragmentation, many large businesses are shifting away from Eskom, to private provision of electricity or 'embedded generation'. The energy-intensive users' group, which consumes 40 per cent of electricity generated in South Africa, is composed of the 27 most important companies in the country, all of which now generate their own power or have plans to do so in the immediate future. Pre-crisis plans for the phasing out of coal are currently in flux.

Another important element of the transition is South Africa's receipt of international finance to aid the transition. The Just Energy Transition-Partnerships (JET-P) financing was agreed at COP-26 in Glasgow and then COP-27 in Egypt for South Africa, India, Indonesia, Vietnam, and Senegal. These funds are to assist developing countries in making an energy transition. However, some early problems can be identified. First, it is not yet clear which projects will be funded, and the process surrounding them is secretive (IEJ 2022). Second, the bulk of these transition funds comes in the form of loans. It is conceivable that the JET-P will be another case of the public sector underwriting the private sector, with the payback of the loans added to the fiscus and possibly a future justification for continued austerity. And third, the aim is that the JET-P funding will attract or 'crowd in' further private sector investment, which may or may not materialize, and the terms may not be favourable.

These developments can be usefully seen in a framework of 'Green Structural Adjustment' (GSA) (Bigger/Webber 2020; Forslund 2022), and/or 'green financialization'. Bigger and Webber argue that GSA is – in a big shift – now a hallmark of the World Bank's

current strategies towards the developing world, and cities specifically. They argue that GSA reduces climate adaptation to a question of infrastructure finance and government capacity-building, whilst at the same time 'reinscribing both causes and effects of uneven development' and 'creating spatial fixes for overaccumulated Northern capital in the Global South' (Ibid.).

GSA mimics many aspects of twentieth-century structural adjustment but with three important variations. First, GSA is triggered not by unmanageable debt, as in the 1980s, but by a lack of access to debt across Global South coupled with an overabundance of stagnant Northern capital in search of returns. Second is scale: the Bank is trying to create access to debt and investable projects where they do not currently exist, allowing cities to borrow money to manage impending crises caused by rapid urbanization and climate change. Third, the explicit focus on climate is a departure from the environmentally harmful lending of the Bank in the era of Structural Adjustment Programmes (SAPs). Access to private capital is portrayed as critical not only for development but for social, economic, and environmental resilience in the face of climate change, the cost of which far exceeds existing public funds. Whilst SAPs achieved de- and deregulation and asset stripping, GSA seeks to 'empower' Northern experts to guide municipal policy and to allow capital to flow into Southern cities, thereby extracting rents from Northern-financed, -owned, and -operated infrastructure.

Clearly the just of a just transition – that workers and communities are not left behind – is a very considerable concern. However, if South Africa is simply to undergo a private energy transition, there may well be little justice. Whilst firms are introducing their own renewable energy supplies, workers, the poor, and most of the middle class face at least another two years of loadshedding, on Eskom's admission.

#### 4 CONCLUSION

In concluding, we return to the question of the effects of the pandemic crisis on neoliberal globalization, and whether its effects are different in the Global South in comparison to the Global North. Our answer is that the pandemic has accelerated trends that were ongoing even before 2020, and for this reason it is important to consider the interrelation between the Global Financial Crisis of 2008 and the pandemic crisis of the past few years. And although we focused on the South African case, we argue that it provides insights into broader global trends about how these accelerated trends are influencing the economic relationship between the Global North and South.

In South Africa, the 2008 crisis had already shaken the previously dominant position of neoliberal elites within the state. Neoliberal ideas remained extremely powerful, and arguably the dominant ideological framework for organizing the economy and economic policy. But they also became explicitly contested by state capture elites who advocated not only anti-neoliberal, but even illiberal policies oriented towards the construction of a narrow state-connected black elite. Against the hopes of the left and labour-aligned forces that supported Zuma in 2008, the long decade between 2008 and 2020 saw the deepening of South Africa's economic malaise. The possibilities for state-led development were further diminished as the long-standing anti-statist policies of the neoliberal elites were compounded by the anti-developmental corruption of the state-capture elites.

In this context, even before the Covid-19 pandemic, the Ramaphosa government was already promoting policies of privatization and an increased role for both local and global finance capital in the economy and governance of the country. The pandemic and the government's economic response to it became a useful frame for coordinating and

amplifying this initiative. The profound social impact of the crisis, including the economic impacts such as increased unemployment and inflation, have also increased popular discontent with the state and likely made the implementation of this expanded neoliberal vision easier.

The narrative summarized here may seem to reflect a very particular set of developments in South Africa since 2008. However, there are many reasons that the story we have told has relevance beyond South Africa. First, although the specifics of South Africa's factional battles over the past decade plus are unique, many countries have experienced political upheaval and economic challenges in the period since 2008. It is therefore likely that situation where the pandemic arrived as a catastrophe upon the back of ongoing catastrophes, and one which therefore demanded radical and rapid solutions, is common among many countries, especially across the Global South. It is also the case that, like South Africa, a large number of countries were forced to turn to the IFIs, especially the IMF and World Bank, for support in their response to Covid-19's economic effects. This is important because this means that many countries will be offered the solutions – especially privatization and an increased role of finance capital – which have been enthusiastically adopted in South Africa.

Another potentially illustrative feature of the South African case is the combination of industrial policy and privatization in the economic response to the pandemic. At the national level, this can be explained as an after-effect of the left support for Zuma in 2008. As we have mentioned above, Ramaphosa may be inclined to maintain, and even revitalize, industrial policy in order to gain support from left and labour segments of the party. However, it is also plausible that this could reflect the shifting class interests of global neoliberal elites.

A central tenet of what Luke Cooper (2023) labels 'classical neoliberalism', that is the market-libertarian ideology that dominated the US and global institutions in the 1980s and 1990s, was the rejection of state intervention through avenues such as industrial policy in favour of policies which opened the way to international capital in order to attract foreign direct investment (FDI). In the present moment, two factors seem to have diminished the power and importance of this element of neoliberalism. First, wealthy countries have taken more interventionist approaches to their own economies, undermining the credibility of any promotion of free-market ideology. But more importantly, the increasing dominance of finance capital in the Global North (and the world economy as a whole) means that FDI in productive activities in the Global South may no longer be the main mechanism of neoliberal globalization.

We can easily imagine a world economy in which Southern countries actively pursue national industrial development, including on the basis of limited industrial policy and limited protective trade policy, with this expanded economic activity depending on key infrastructure such as energy and transport, which are privately funded, and for which both Southern firms and Southern taxpayers pay rent. To global finance capital, such an economy would not necessarily be more equal than the globalized economy of the recent past, and could certainly still be organized for the benefit of the global financial elite.

In this way, the response to the Covid-19 crisis is most likely to entrench further what Daniela Gabor (2021) has called the 'Wall Street consensus'. Here the state plays an important role in development but it acts to underwrite the private sector. Development interventions increasingly come under the aegis of partnerships with global finance. Infrastructure is an asset class, into which Global North investors – and fund managers – put money into development. But in order to make these areas attractive to global financial capital, the state is enlisted to risk-proof investments in various ways, and to assist in the transformation of local financial systems to market-based finance which suits portfolio investors.

We have tried to show through our analysis of South Africa's response to the Covid-19 crisis that changes in neoliberal globalization have been under way since well before the pandemic, and the recent crisis has served to accelerate these shifts. The world economy that is emerging does show some significant departures from what has prevailed in the past few decades. But on the fundamental question of the balance of economic power both between classes and between the Global South and North, there is little reason for optimism.

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