

# The Premier's Economic Advisory Council in the African National Congress-led government of the Free State Province, 1999-2004: An historical exploration on service delivery and poverty alleviation<sup>1</sup>

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## ***Abstract***

The article traces the impact and relevance of the service delivery and poverty alleviation strategies introduced by the African National Congress (ANC) led provincial government in the Free State Province. This was in line with the promises made by the ANC during its electioneering campaigns of a “better life for all”. South Africa was confronted with the challenge of transforming a racially and ethnically fragmented and unequal public service delivery system into one that would be able to meet the demands from a newly enfranchised citizenry for economic, social and political development. The legacies of apartheid, combined with widespread poor budgetary and financial management, a massive backlog in basic services and infrastructure, race and regional inequalities in provision, and sometimes tense social relationships, tended to limit opportunities for social development and expanded delivery.<sup>2</sup>

South Africa's new Constitution guaranteed human rights and democratic governance, promised efficient delivery of services and implemented a number of reforms aimed at achieving equity, access and the redistribution of resources. I argue in this article that the appointment of Winkie Direko, as the Premier of the Free State for the period 1999 to 2004 heralded a new dispensation for service delivery and poverty alleviation projects in the province.<sup>3</sup> Therefore,

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1 Financial assistance from the Monitoring and Learning Facility: Programme to Support Pro-Poor Policy Development (PSPPD) is hereby acknowledged.

2 B Munslow and A McLennan, “Introduction”, A McLennan and B Munslow, (eds), *The politics of service delivery* (Wits University Press, Johannesburg, 2009), p. 1.

3 The 1999 to 2004 period was the first term of the Thabo Mbeki era as President of the Republic of South Africa. The Mbeki administration came to be known for several clearly articulated issues and well crafted policies that were pursued with singular commitment. For starters, this administration promoted the Growth, Employment and Redistribution (GEAR) strategy, a neo-liberal economic strategy aimed at demonstrating South Africa's commitment to open markets, privatization and a favourable investment climate. Although the outcomes of the GEAR strategy have been mixed, South Africans and the world at large knew where South Africa stood on key macroeconomic issues.

the article seeks to highlight some of her initiatives as the province's Premier in fast-tracking service delivery and poverty alleviation programmes.<sup>4</sup>

In order to achieve the above, Direko introduced a structure which became known as the Premier's Economic Advisory Council (PEAC). This article reflects the role played by the PEAC in advising Direko as Premier on the economic development of the Free State Province. It presents the reflections, analysis, and recommendations of the research projects undertaken under the auspices of the PEAC. Furthermore, it highlights the use of the PEAC as one approach to enhance stakeholders' contribution to the economic development of the province, albeit within the limitations of time and funding from the Free State provincial government. Direko's PEAC ceased to function after the change of the provincial political leadership in April 2004 general election. Therefore, the article discusses the period 1999 to 2004.

**Keywords:** Premier; Service Delivery; African National Congress; Premier's Economic Advisory Council; Policies; Economic Development.

## **Introduction**

The Free State provincial government, with its different departments, was tasked primarily with meeting the needs of its people through self-sustainable economic and development programmes. Therefore, the ANC-led government of the Free State had the responsibility of contributing to the wider economic growth in South Africa. In the province, during the period under discussion, there was an urgent need for an integrated and holistic effort to deal with issues of service delivery and poverty alleviation. It was widely acknowledged that in order for the province to have a viable economy on a continuous basis, it was necessary to realise maximum economic growth and development. Therefore, the ANC-led Free State government under the premiership of Direko embarked on enhancing developmental capacity by establishing the PEAC in order to give advise on the developmental process to be taken by her government.

Historians and political scientists alike argue that developmental capacity refers to the capacity of governments to design and implement policies for growth and to provide good governance to their societies and markets. Thabo

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<sup>4</sup> For more information on poverty alleviation elsewhere in the world see CH Hanumantha-Rao, "Integrating Poverty Alleviation Programmes with development strategies: Indian Experience", *Economic and Political Weekly*, 1992, 27(48), pp. 2603-2607; T Mosdell, "Free basic services: The evolution and impact of free basic water policy in South Africa", U Pillay, R Tomlison & J du Toit (eds), *Democracy and Delivery: Urban Policy in South Africa* (Human Sciences Research Council, Cape Town, 2006), pp. 283-300.

Rapoo, for instance, argues that good governance involves the creation and maintenance of accountable and efficient institutions.<sup>5</sup> With the establishment of the PEAC, Direko aspired to good governance. Sustainable approaches became priority considerations in the formulation, identification and selection processes for the PEAC. Prior to the establishment of the PEAC, a needs analysis was undertaken in collecting and analysing information as to what was expected by the Free State communities from the government.

It is important to note that the PEAC focused on the key strategy of the ANC government: namely, fast-tracking service delivery and the question of poverty alleviation. Therefore, in order to understand the above operations of the ANC government under which the PEAC functioned, the following should be taken into consideration. The first five years of the ANC government in South Africa (1994-1999), particularly in the Free State, were regarded as a learning curve and a transformation period. This was due to the fact that the ANC had to show its mantle of transforming itself from being a liberation movement into a ruling party. The second phase of the ANC's governance (1999-2004) was viewed as a service delivery period by the majority of the South Africans who voted for it during the June 1999 elections.<sup>6</sup> It was during this second phase that the PEAC was established. Economic research in the Free State conducted under the auspices of the PEAC indicated that the formal economy of the province had to absorb its economic demands. The different provinces had to fulfil the promises which had been made by the ANC during its election campaigns.

It is argued in this article that the establishment of the PEAC was an indication that the ANC-led provincial government of the Free State was intent on advancing people-centred programmes. The article aims at assessing the degree to which the components of the PEAC framework were incorporated into strategic local economic development plans for the Free State. The article further provides an evaluation of the PEAC's activities during the period under discussion. It is against this backdrop that the article seeks to examine the following: What were some of the possible reasons that led

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5 T Rapoo, "Room to manoeuvre: Understanding the development of provincial government in South Africa, 1994-2004" (Ph.D, University of the Witwatersrand, 2005), pp. 16-18. For more information see also J Davis, "Learning from local economic development experiences: Observations on Integrated Development Programmes of the Free State, Republic of South Africa", *Report from the Natural Resources Institute*, March 2006, pp. 16-17; MJ Mafunisa, "The role of civil society in promoting good governance in the Republic of South Africa", *International Review of Administrative Sciences*, 2004, 70(3), pp. 489-496.

6 A Duvenhage, "The post election environment towards 2014; Strategies and scenario directed perspectives" (Paper, Governance and Political Transformation Seminar, University of the Free State, 9 October 2009), p. 12.

to the establishment of the PEAC in the Free State province? What was the mandate of the PEAC? What lessons were learnt from the establishment of the PEAC? Why and how was the PEAC disbanded? Besides the above-listed core questions about the PEAC, the article argues that although the committee was an independent apolitical structure, there is evidence that some political interference from government officials was prevalent. Furthermore, the article presents a critical analysis of the PEAC.

For the purpose of this article, a methodological, scientific and systematic analysis of the PEAC from an historical perspective has been conducted. In an attempt to achieve this, both the qualitative and quantitative historical methods were employed.<sup>7</sup> The research was conducted along both thematic and chronological lines and met the requirements of traditional historical research. Owing to the contemporary nature of the topic, research for this article was carried out in different stages and included collecting and analysing newspaper clippings. Interviews were conducted with some members of the PEAC and Direko. Therefore, by means of analysing oral testimonies and interviews as a basis for this research study, I was able to receive first-hand information from the respondents. With a view to reaching clarity on the activities of the PEAC, minutes of its meetings and the research reports were also consulted. In analysing the minutes of the meetings, I also attempted to interrogate the reasons behind the decisions taken during the PEAC meetings as highlighted in the minutes. These minutes became helpful as they provided primary information about the deliberations during such meetings.

A number of secondary sources also formed the basis of this article. From the sources consulted, no specific study focused on the PEAC. The absence of major sources dealing with the PEAC reinforced the idea that such research could be useful and relevant in order to gain a better understanding of its impact on service delivery and poverty alleviation in the Free State. Using the PEAC as the central structure for the economic development in this historical study could pave the way for a more detailed understanding of contemporary ANC history, as well as the politics of the Free State's ANC rule. The article provides a fresh perspective on the ANC's economic transformation issues and insight into the political and economic dynamics of the Free State province. The article attempts to provide lessons to other provincial governments about the importance of having advisory structures such as the PEAC in order to trace the levels of service delivery and poverty and how this be addressed.

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<sup>7</sup> D Silverman, *Doing qualitative research* (Sage Publications Ltd, London, 2010), pp. 5-14.

Although in the Free State the PEAC experienced some challenges, to a certain extent the structure managed to live up to the Premier's expectations. The establishment of the PEAC tells us about the inadequacies of provincial administration, infrastructure, service delivery, and poverty alleviation in the Free State. In order to fully understand the PEAC and its subsequent activities in the Free State during the period under discussion, some possible reasons for its establishment are thus highlighted.

### **The establishment of the PEAC**

The Free State provincial government, like all other spheres of government, is a recognised sphere of governance mandated by the Constitution of South Africa to implement and administer national legislations and policies and to develop and implement provincial legislations and policies, while at the same time coordinating the functions of the provincial administration and its departments.<sup>8</sup> Constitutionally, in South Africa the provinces exist as governments with legislative and executive branches that are accountable to their electorates.<sup>9</sup>

It was against this background that the PEAC was established in the Free State. Therefore, when Direko established the PEAC, it was necessary to assess the relative importance of national policies, provincial policies and local planning on the development of the Free State.<sup>10</sup> As part of a broader initiative to realise the above challenges, the PEAC for the Free State was inaugurated in September 2001 as a non-statutory body consisting of 15 selected members with the requisite expertise.<sup>11</sup> At a later stage M Mafela was appointed as the Head of the Secretariat to coordinate the Council's activities and liaise with Direko's office. The appointed Council members had different expertise

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8 The Constitution of the Republic of South Africa, 1996, pp. 69-75. For more information see also D Besdzick, "Provincial government in South Africa", A Venter and C Landsberg, (eds), *Government and Politics in the new South Africa* (Van Schaik Publishers, Pretoria, 2006), pp. 102-127.

9 P Pillay, "Decentralisation and service delivery", A McLennan and B Munslow, (eds), *The politics of service delivery* (Wits University Press, Johannesburg, 2009), pp. 137-138.

10 CM Twala, "From pedagogue to politician: Winkie Direko in the Free State, 1994-2004" (Ph.D, University of the Free State, Bloemfontein, 2010), p. 335.

11 Members of the PEAC were experts in different fields. The members who were invited to serve on the council by Direko included business, labour, education, and community leaders, *Volksblad*, 29 April 2002, p. 7. The members were: K Mokhele (Chairperson); S Coetzee (Deputy Chairperson); L Botes; C Choeu; K Ferreira; D Kruger; K Laubscher; B Molefe, I Mosala; J Moses; C Nolte; E Ratshikhopa; T Scott; M Sisulu; and R van Wyk (*Volksblad*, 29 April 2002: 7). The PEAC formed part of a critical and strategic institutional framework supporting Direko's government. It was therefore vital for it to generate innovative ideas on sustainable, people-centred development and to initiate research-based advice to Direko and her MECs.

and were from the different racial groups of the South African population. Although this happened during the era of President Thabo Mbeki who advocated the resuscitation of Black Nationalism, as a provincial structure, he had no influence on the appointment of the committee members.

Direko was convinced that she needed an advisory council in order to broaden her mandate of consultation with Free Staters. Therefore, the establishment of the PEAC was to map out her ambitious ventures as Premier of the Free State. Since the beginning of the decline in the mining and agricultural sectors as the two main economic pillars of the Free State province about two decades ago, the trend had been gaining momentum over the past few years, with an increasing number of mines being shut down and a considerable number of farms going out of business.<sup>12</sup>

Direko recalls the following about the establishment of the PEAC:<sup>13</sup>

Actually, when I came here to become the Premier of the Free State, the finances of the province were in the red. Several government departments were in the red. We sat around and decided to have an advisory council. I went for the best people to serve on this advisory council. I had somebody from the World Bank who suggested names of people to be included on the Council... When we established the PEAC, we concentrated mostly on what people could offer. I must also mention that the members were not politically aligned.

Prof Stef Coetzee, who became the Deputy Chairperson of the PEAC, said:<sup>14</sup>

It is basically interesting to note that the idea started under the Premiership of Ivy Matsepe-Casaburri. Owing to some reasons, it never got off the ground... When I became Vice-Chancellor of the University of the Free State, I was called in by Premier Matsepe-Casaburri to have some discussion on the matter. Unfortunately, for the whole year I didn't hear anything from her again until Direko was appointed Premier. We started the discussions and took the matter up. Direko then gave direction to the whole process.

The statement such as the above by Direko clearly demonstrated her government's willingness to address the economic problems which faced the Free State. The appointment of a group of experts to advise the premier and her government were commendable.

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12 Centre for Development Support (CDS), University of the Free State, *The PEAC Annual Report, 2002-2003*, pp. 1-3.

13 C Twala (Personal Collection), interview, W Direko (Former Premier of the Free State Province, Bloemfontein), 18 August 2010.

14 C Twala (Personal Collection), interview, S Coetzee, (Deputy Chairperson of the PEAC in the Free State, Bloemfontein), 25 August 2010.

## **The functions and achievements of the PEAC**

The PEAC had multiple tasks. The main one was of finding out what the key or pertinent research areas were that could lead to the economic development of the province. They needed to acquire qualitative data in order to advise on the economy of the province. It formed part of a critical and strategic institutional framework supporting the provincial government, and was vital for generating research-based advice to the Premier and Members of the Executive Council (MECs), especially members of the Economic, Employment and Investment Cluster, and to advise on economic development and job creation in the Free State, thus linking to the Free State Economic Development Strategy.

According to the PEAC Chairperson, Dr Khotso Mokhele, when this Council was constituted, the aim was to align its functions with the economic development of the province. It had to make sure that almost all stakeholders with expertise to assist with the economic development of the province were assembled. After outlining the terms of reference, the sub-projects were identified and later researchers were invited to undertake research on the different economic aspects of the Free State.<sup>15</sup>

Since the members of the PEAC would spend time in advising the Premier it was decided that they would be reimbursed for the time spent doing the Council's work. A meeting of the PEAC held on 27 August 2002 at Bloemspa in Bloemfontein discussed the question of remuneration for the members. At this meeting the Chairperson reported that the policy of reimbursement was based on examples from statal and parastatal bodies, as well as the private sector. Several questions were raised by members, for instance, about the amount per session, namely R 4 500. It was agreed at this meeting that members would be reimbursed for their complete inputs; for instance, time spent in preparation and not only for the actual hours spent at meetings. It was further agreed that the issue was not primarily about money, but the service rendered by members.<sup>16</sup>

Initially when the PEAC started functioning, some members of Direko's cabinet had to sit in on the Council's meetings, but this was later changed due to the schedules of the Members of the MECs and other officials in the

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15 C Twala (Personal Collection), interview, K Mokhele (Chairperson of the PEAC in the Free State, Bloemfontein), 17 September 2010.

16 Centre for Development Support (CDS), University of the Free State, *Minutes of the PEAC meeting*, Bloemspa, Bloemfontein, 27 August 2002, pp. 5-7.

Premier's Office. The PEAC meeting held on 28 February 2003 at Indaba Lodge in Bloemfontein stated that the MECs and the Director-General (DG) should only attend issue-based meetings if invited to clarify any matters requiring the presence of the government. The rationale for them not to attend all PEAC meetings was partly informed by the anxiety that that might sometimes hinder the free flow of discussion, as PEAC members felt uncomfortable in critiquing the government in the presence of provincial politicians and other senior officials. Both the PEAC and the government officials stressed, however, that at times there would be a need for the PEAC members to know what government thinking and actions were on particular issues to ensure that deliberations were not completely off the mark in terms of the work that it would be doing.<sup>17</sup>

As mentioned previously, the main mandate of the PEAC was to give advise on the economic development of the Free State. It should be noted that although the PEAC was more inclined to help advise Direko on economic matters, sometimes the advise on political matters was required for the development of the province's economy. It would therefore be difficult to divorce economic matters from political ones. The PEAC members were convinced that a "turn-around" towards a new growth path was possible, provided all stakeholders in the Free State's economic processes co-operated to achieve this goal. According to the PEAC, there were three sets of structural factors which hampered and limited the Free State's development momentum: namely, sector-growth weaknesses, spatial-development imbalances and a strained development environment.<sup>18</sup>

Having its mandate of contributing to the development, growth and sustainability of the Free State economy clarified, the PEAC had to make such a contribution by providing an overall strategic framework for economic development at provincial government sphere; providing a strategic vision and strategy for integrated economic, social and community development that would support the Provincial Growth and Development Strategy; critically reviewing the Free State provincial government's economic policies and development strategies within the framework of National Trade and Economic Policy and advise accordingly; analysing and reviewing national and global economic trends by critically assessing their impact on the

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17 Centre for Development Support (CDS), University of the Free State, *Minutes of the PEAC meeting*, Indaba Lodge, Bloemfontein, 28 February 2003, pp. 2-3.

18 Centre for Development Support (CDS), University of the Free State, *The PEAC Report*, October 2004, p. 3.



economic position of the Free State; identifying and evaluating key economic issues and critically assessing their impact on current and future plans and policies; reviewing and advising on policies towards meaningful economic transformation; and reviewing, evaluating and advising on innovative people-centred and community-based empowerment strategies.<sup>19</sup>

In order to achieve the above and following on its mandate, the PEAC decided to launch a number of cutting-edge projects to increase the rate of economic growth, which had been negative in the Free State province for a number of years, and to foster sustainable human development. With an economic growth rate below the national average, the Free State needed to begin attaining a level on par with the country as a whole if it were to make any meaningful impact on the lives of its people. Therefore, the PEAC was expected to make every effort to ensure that this goal was achieved in the medium to long term.

In the main, due to time constraints, the PEAC identified twelve research areas in the field of local economic development. These included the development of small, medium and micro enterprises (SMMEs), manufacturing potential; the Free State Development Plan's (FSDP's) process evaluation, the economic profile of the province; tourism development, knowledge economy; a mineral potential assessment of the province, the possible utilisation of the redundant mine infrastructure for the benefit of local communities, the potential for small-scale mining in the province, and game farming and agricultural diversification.<sup>20</sup>

In pursuing its role during the years of its operation, the PEAC became aware and deeply concerned about the Free State's economic stagnation, its high and increasing levels of unemployment and the inability to make significant progress in poverty reduction and social upliftment. In order to address these fundamental issues and trends, the PEAC decided to commission a number

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19 Centre for Development Support (CDS), University of the Free State, *The PEAC Annual Report, 2002-2003*, p. ii.

20 The following were some of the research reports prepared for the PEAC: M Roefs et.al, "Evaluation of the process of compiling the Free State Development Plan (FSDP)", *The PEAC Report*, October 2003; E Nel, "Evaluation of LED in the Free State Province", *The PEAC Report*, November 2003; DL Ehlers et.al. "An assessment of the mineral potential of the Free State", *The PEAC Report*, November 2003; M Reichardt, "Proposals for the utilization of redundant mine infrastructure for the benefit of local communities", *The PEAC Report*, March 2004; J McGill et.al. "Small-scale mining potential of the Free State", *The PEAC Report*, March 2004; CM Rogerson, "Opportunities, obstacles and action steps for the development and strengthening of SMMEs in the Free State", *The PEAC Report*, May 2004; L Abrahams, "The Free State in the 21<sup>st</sup> century – Critical linkages to the emerging knowledge economy", *The PEAC Report*, March 2004.

of studies, each focusing on a major issue or symptom of the overall malaise. Firstly, the effective discharge of the above mandates required comprehensive knowledge, understanding and experience of the state and condition of the Free State economy. Secondly, a special understanding of the broader political and social dynamics, both in the Free State and South Africa as a whole was needed. It also required knowledge of economic developments elsewhere. Most importantly, it was also important for the PEAC members to have an understanding of the public value of economic policy and its crucial role in social and political transformation and development in South Africa.<sup>21</sup>

The PEAC was expected to provide intellectual leadership around key provincial issues in a systematic way. For example, it had to take as its point of departure the values, principles and policy goals of the FSDP, and the policy instruments and mechanisms that were to be advanced for the achievement of policy goals. PEAC member Prof L Botes contended that the activities of and advise to the provincial government were shaped by a number of factors which included: the changing requirements of the economy and society at large; taking into consideration the goals, aims, aspirations and initiatives of provincial stakeholders; acknowledging the local, national and international knowledge and information base with respect to economic issues, questions and practices; and the financial and human resources capacities of the PEAC.<sup>22</sup>

The commencement of research by the PEAC in the Free State raised, from the outset, the need for a collection of detailed data sets that profiled the socio-economic environment of the province. L Marais and L Botes argued that there was a need to establish project teams to advance local development projects. Firstly, these teams were to address the question of the creation of sustainable local economies by proactively addressing problems in respect of economic decline and dependency on single sectors. Secondly, the teams had to take advantage of economic opportunities that were available in the Free State. Thirdly, they had to ensure that the local economic growth and activity benefited the poor and disadvantaged communities of the Free State. Fourthly, they had to ensure that women's participation in project planning and implementation was taken seriously by the Free State government. Lastly, institutions and delivery mechanisms promoting and enhancing co-operative

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21 Centre for Development Support (CDS), University of the Free State, *The PEAC Annual Report, 2003-2004*, p. 4.

22 C Twala (Personal Collection), interview, L Botes (Member of the PEAC in the Free State, Bloemfontein), 29 July 2009.

governance had to be established.<sup>23</sup>

In order to achieve the above and to further facilitate the work of the PEAC, members were clustered into project/task teams, each led by one member of the Council. For example, through the Department of Local Government and Housing, income generating initiatives came into being with the aim of increasing self-reliance and sustainable livelihoods through processes such as economic and local economic development (LED).<sup>24</sup>

Between December 2002 and March 2003, on the instruction of Direko's office, amongst other things, the following research areas were identified and the PEAC commissioned research teams to come up with outputs:

### ***Compiling an economic profile of the Free State Province***

The commissioning of an economic and development profile for the province originated from the need of the PEAC for a definitive and up-to-date survey of conditions and trends on which to base its advise to the Free State provincial government. Direko opined that such a profile would provide the basis for evaluating and revising the goals, objectives and targets of the FSDP. It was further argued by the Free State government that this profile would support the development and refinement of an Economic Development Strategy for the Free State Province.<sup>25</sup> The profile was required to provide information which, amongst other things, described the physical, social and economic characteristics, performance and trends in the province's economy and society in order to define gaps and backlogs in social and economic infrastructure.

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23 L Marais and L Botes, "Income generation, local economic development and community development: Paying the price for lacking business skills", *Community Development Journal*, 2007, 42(3), pp. 380; 385-386.

24 Local Economic Development (LED) in the Free State was regarded as one of the most important economic development interventions. It focused on economic challenges which manifested themselves in unique localities. From the standpoint of LED, there was a strong reliance on local resources, leaders, and institutions to respond to locally-based economic crises and opportunities. LED had been recognised as a critical approach to pursue within the context of empowered local authorities, pro-active actions by local citizens, and the need to ensure that development was pro-poor in its focus and outcomes. LED was about local people working together to achieve sustainable economic growth and development for the benefit of all the people in the local area. It aimed to promote and develop all sectors and dimensions of the province's economy. For more information on LED, see E Nel and L John, "The evolution of local economic development in South Africa", U Pillay et.al, *Democracy and delivery: Urban Policy in South Africa* (HSRC Press, Cape Town, 2006), pp. 208-226; E Nel, "Local economic development: A review and assessment of its current status in South Africa", *Urban Studies*, 2001, 38(7), pp. 1003-1024.

25 Centre for Development Support (CDS), University of the Free State, *The PEAC Report*, September 2004, pp. 1-139.

The research found that historically the Free State had a solid economic base, which had been dented sharply by the decline in the gold-mining industry (falling from 19,4% to 8% during the mid-1990s). It is noteworthy that the contribution of all sectors, except community services, finance, transport, and agriculture declined after 1990. In 1990, mining contributed approximately 22% to the Free State economy. This figure declined to about 14% in 2002. Similarly, the level of employment in the mining industry declined from 19% of the total employment in the Free State in 1990, to a mere 9,5% in 2002. This was the result of more than 50 000 mineworkers losing their jobs in the Free State Goldfields.<sup>26</sup> Based on the research conducted by the PEAC it was argued that unless the above factors were addressed in a concerted, systematic and pro-active way, there was a real danger that the “vicious circle of stagnation” would accelerate and the province would drift into a deeper economic crisis.<sup>27</sup>

### ***Knowledge economy***

J Herbst of the Miami University in Ohio stated that since 1994 the ANC government had been faced with the huge task of improving its ability to promote economic growth on a national basis. According to him, roughly 45 percent of South Africa’s 44 million people had been impoverished between 1994 and 2005. Unemployment had increased by more than 3 million since 1994.<sup>28</sup> It was clear that this kind of situation would have a negative impact on the Free State.

J Davis of the Natural Resources Institute at the University of Greenwich argued: “The Free State economy has under-performed compared with the rest of South Africa, as the economic growth rate in the province has been considerably lower than the average for South Africa over the past ten years. The relatively weak position of this province’s economy is further reflected in a relatively low (2002) per capita income level (R11 854 compared with R17 164 for South Africa and R32 356 for Gauteng). The province had a high

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26 E Nel et.al, “Manufacturing industry study of the Free State: Current trends, spatial and sectoral considerations and future prospects”, *The PEAC Report*, September 2004, p. 25.

27 Centre for Development Support (CDS), University of the Free State, *The PEAC Report*, October 2004, p. 2.

28 J Herbst, “Mbeki’s South Africa”, *Foreign Affairs*, 84(6), November/December 2005, p. 97.

unemployment rate of 38.9%”.<sup>29</sup> The above statement was a clear indication that the provincial government to turn the situation around because the economic decline of the province would in the long run have an impact on the political decisions made.

Commissioned by the PEAC, L Abrahams, Director of Link Centre in the Graduate School of Public and Development Management at the University of the Witwatersrand, conducted a study on how the Free State government could capture the momentum of local and global change to promote the participation of the province in the emerging South African knowledge economy. In her report, Abrahams presented the following perspectives to be taken into consideration by the PEAC: the global context and its implications for the Free State; a strategic framework for knowledge-based economic development and growth; and an institutional framework for promoting the knowledge economy of the Free State.<sup>30</sup>

### ***Enhancing livelihood security and self-reliance***

In 2002 an evaluation of LED projects in the Free State indicated that only a small percentage of projects had managed to become economically viable.<sup>31</sup> Perhaps it was because of the above statement that the PEAC had to enhance livelihood security and self-reliance by starting poverty alleviation projects and making them more business oriented. For example, in Monyakeng Township in Wesselsbron, a poultry and food project was launched. This project consisted of two separate entities; namely, poultry and a food plot project but was run concurrently. The poultry project was funded by the Provincial Department of Agriculture. Despite being a government initiative the project was not sustainable because of poor financial decisions and unforeseen costs, which caused the first batch of chickens to be sold at a loss. This was an indication that although Direko’s government was geared towards helping the small farmers with such projects, management skills were still needed to sustain most such projects. As part of the same project, vegetables were

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29 J Davis, “Learning from local economic development experiences: Observations on Integrated Development Programmes of the Free State, Republic of South Africa”, *Report from the Natural Resources Institute*, March 2006, p. 14.

30 L Abrahams, “The Free State in the 21<sup>st</sup> century – Critical linkages to the emerging knowledge economy”, *The PEAC Report*, March 2004, p. 9.

31 L Marais et.al, “An evaluation of LED projects in the Free State”, *Research Report for the Department of Local Government and Housing*, 2002, pp. 3-15.

also grown as part of the food plot project. This project also suffered due to the absence of infrastructure, poor labour supervision and non-performance resulting in the under-utilisation of the land.<sup>32</sup>

### ***Creation and expansion of Small- Medium- and Micro-Enterprises (SMMEs) in the Free State***

At the start of the democratic era in South Africa, there were very high expectations of the ability of the country's SMME economy, especially in relation to manufacturing. In general, SMMEs were seen as "agents of employment promotion, redistribution, and improvement in global competitiveness".<sup>33</sup> Logically, the PEAC was also tasked with the development of SMMEs in the province. The Council's Annual Report for 2002-2003 stated clearly that despite the significance of the provincial SMME economy, there had been few detailed research studies on its structure, dynamics and potential opportunities. The PEAC commissioned research to gather relevant data to understand the dynamics and challenges confronting the SMME economy in contributing towards the development goals of the Free State province; to provide the base for an action plan and a set of strategic development interventions to assist SMME entrepreneurs and to maximise the impact of the SMME economy within provincial economic development planning.<sup>34</sup>

However, it should be noted that with regard to the creation of infrastructure for small business development initiatives in South Africa, the Free State did not perform well. This poor performance happened despite the intention through the FSDP and the PEAC to create a network of business advisors in the province.

### ***Providing, improving and facilitating sustainable infrastructure development***

When the PEAC was established, the situation concerning key infrastructure development in the five districts of the Free State was as follows: In Xhariep access to sanitation was 95,95%; in Motheo 85,52%; in Lejweleputswa

<sup>32</sup> L Marais et.al, "An evaluation of LED projects in the Free State ...", pp. 3-15.

<sup>33</sup> CM Rogerson, "Opportunities, obstacles and action steps for the development and strengthening of SMMEs in the Free State", *The PEAC Report*, May 2004, p. 766.

<sup>34</sup> Centre for Development Support (CDS), University of the Free State, *The PEAC Annual Report*, 2003, pp. 7-8.

90,95%; in Thabo Mofutsanyana 42,33%; and in Fezile Dabi 87,06%. Access to electricity in Xhariep was 89,76%; in Motheo 94,06%; in Lejweleputswa 66,97%; in Thabo Mofutsanyana 81,97%; and in Fezile Dabi 67,33%. Through the PEAC, Direko's government acknowledged that there were huge backlogs in infrastructure development. After conducting research, the PEAC proposed increasing a wide range of infrastructure, including access to roads, the number of schools and classrooms, the installation of sanitation, improving access to potable water, and increasing housing units.<sup>35</sup> Although the PEAC managed to highlight most of the above challenges, investors' support and confidence as well as finance, credit and measures of institutional and managerial support were required in the province. Therefore, it became difficult for Direko's government to be able to solve all the above mentioned problems.

### ***Addressing the problem of small-town decay***

The following factors further contributed to their decay: the demise of rail transport, the decline in agricultural output, as well as a switch to game farming; and the amalgamation of local government systems which came into effect in 2000.<sup>36</sup> This contributed to the problem of small-town decays.

A survey of the Free State's small-town developments commissioned by the PEAC revealed a widespread decline in the development momentum in a large number of the province's towns and villages. This included a deterioration of the physical and service infrastructure; an exodus of established businesses; a decline in local employment opportunities; near-bankruptcy of municipal finances and the absence of clear, widely supported growth initiatives. This trend was more worrying since, in the past, the Free State, given its vast area and low population density and its well-established road and rail network, depended to a great extent on its network of small towns for the underpinning of economic activities in the rural areas.<sup>37</sup>

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35 CM Twala, "From pedagogue to politicians: Winkie Direko in the Free State, 1994-2004", (Ph.D, University of the Free State, Bloemfontein, 2010), pp. 390-391.

36 FM Human, "The effectiveness of Integrated Development Plans in the Free State", (MA Dissertation, University of the Free State, Bloemfontein, 2007), p. 82.

37 Centre for Development Support (CDS), University of the Free State, *The PEAC Report*, October 2004, p. 24.

### ***Accessing the mineral potential of the Free State***

The PEAC decided that it required an objective and independent assessment of the mineral potential of the Free State province based on known information. Through this, the PEAC envisaged that it could appraise the extent to which the minerals industry could contribute to the future economic development of the province. In August 2003 the PEAC appointed the Council for Geoscience to undertake a study on the “Assessment of the Mineral Potential of the Free State Province”.<sup>38</sup>

The Council for Geoscience investigated the production, sales and profits of Harmony’s Free State and Free Gold Mines. Its findings were as follows: The Harmony/ARMgold Freegold Joint Venture Company (Pty) Limited (Free Gold) took operational control of the AngloGold assets in the Free State province valued at R2 832 million in January 2002. Free Gold subsequently acquired the assets of the St Helena gold mine from Gold Fields of South Africa Limited in May 2002 for R120 million plus a fixed 1 percent royalty payable over a period of 4 years. The Geoscience Council informed the PEAC that the acquisition of the above-mentioned assets should ensure an annual production of 100 000 ounces of gold per year for a five-year period ending in 2007.<sup>39</sup> Expert opinion suggested that the further decline in the output of Free State gold mines could not really be prevented, even if the strength of the Rand was to tail off. It was also unlikely that technological factors, or even large mergers or other ameliorating interventions would significantly alter the process over the years to come. The main challenge was the technically proper and socially responsible management of the decline of the industry in the Free State, with much of the focus on the retraining and redeployment of existing staff, the decommissioning of mining gear and equipment, as well as the re-orientation of mining towns.<sup>40</sup>

### **Fulfilling the mandate of the PEAC**

The table below is a summary list of some of the PEAC’s activities and progress made towards their fulfilment:

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38 DL Ehlers, et.al., “An assessment of the mineral potential of the Free State”, *The PEAC Report*, November 2003, p. 5.

39 DL Ehlers, et.al., “An assessment of the mineral potential of the Free State ...”, pp. 18-19.

40 Centre for Development Support (CDS), *The PEAC Report*, October 2004, pp. 46-47.



Image 1: Progress towards fulfilling the mandate of the PEAC

| <b>Activities</b>  | <b>Progress</b>   |
|--|---|
| 1. Establishment of the Secretariat  | <ul style="list-style-type: none"> <li>• Secretariat established in October 2002 with two employees (Executive Officer and Administrative Assistant)</li> </ul>   |
| 2. Formation of project/task teams   | <ul style="list-style-type: none"> <li>• Project teams established in December 2002</li> </ul>  |
| 3. Identification of research topics   | <ul style="list-style-type: none"> <li>• The process of clearly identifying the research topics started in December 2002 and continued until the end of the projects.</li> </ul>  |
| 4. Identification of researchers   | <ul style="list-style-type: none"> <li>• The process to identify researchers for the different research topics started in December 2002 and continued until the end of the projects.</li> </ul>   |
| 5. Establishment of the Audit Committee  | <ul style="list-style-type: none"> <li>• The process leading towards the establishment of the Audit Committee commenced in February 2003</li> </ul>   |
| 6. Premier's and MEC's (Economic Affairs) speeches                                 | <ul style="list-style-type: none"> <li>• Contributions made to the budget speeches</li> </ul>   |
| 7. Premier's Office medium term budget inputs                                      | <ul style="list-style-type: none"> <li>• Inputs made to the Premier's Office medium term budget preparations for 2004-2007</li> </ul>   |
| 8. Establishing healthy interactions with economic stakeholders on the PEAC's work | <ul style="list-style-type: none"> <li>• Extensive engagements with the Department of Economic, Environmental Affairs and Tourism officials</li> <li>• Continuous meetings with the Premier Office's officials</li> <li>• Continuous engagements between the Chairperson and the MEC Economic, Environmental Affairs and Tourism</li> <li>• Continuous engagements between the Chairperson and the DG of the Province</li> <li>• Attendance of workshops/discussion forums organized by the District and Local Municipalities</li> <li>• Attendance of business and academic conferences – World Economic Forum Africa leg; NAFCOG, etc.</li> </ul> |
| 9. Producing an annual report  | <ul style="list-style-type: none"> <li>• The first annual report ready by the second quarter of 2004</li> </ul>   |

Source: Centre for Development Support (CDS), University of the Free State, *The PEAC Annual Report*, 2002-2003

The above diagram shows that overall, within the constraints of human and financial resources, the major task of establishing the PEAC and Secretariat, and various pressures and demands on a fledging organization, good progress was registered with respect to the execution of responsibilities.

### **The issue of political interference**

Although the PEAC was regarded as an apolitical structure, at some point there were some influences from the politicians as well as government officials in the province. These influences were interpreted by the PEAC members as an attempt to destabilise their operations. It was clear from some of the politicians that the PEAC was not welcomed. In some instances it was viewed as a monitoring tool used by the premier in checking on their government activities. Mokhele recalls:<sup>41</sup>

As the chairperson, I had numerous discussions with TS Belot (MEC for Economic Development in the Free State) and Noby Ngombane (Head of the Department). These were government officials. Initially this was not viewed as interference because we wanted to bring them on board about our activities... You should remember that the issue of establishing the PEAC started in the Premier's Office. We had the expectations that the funds would come from the Premier's Office, but due to the political battles in the Department of Economic Affairs, we battled to get start-up funding.

Another member of the PEAC, Dick Kruger, testified to political interference:<sup>42</sup>

To a certain extent we realised that there was political interference with the functioning of the PEAC. Initially, we didn't feel this because these politicians were not directly involved with what we were doing. However, there were others amongst them who thought that we were discussing them. Some were worried that we were doing something that they should have been doing in their respective departments. They were afraid that our findings might implicate and expose them.

M Mafela, who was the Head of the PEAC Secretariat, argued: "The impact of the politicisation of the Council was that when the new administration came into power in 2004, a decision was taken to dissolve the structure. So,

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41 C Twala (Personal Collection), interview K Mokhele (Chairperson of the PEAC in the Free State, Bloemfontein), 17 September 2010.

42 C Twala (Personal Collection), telephonic interview D Kruger (Member of the PEAC in the Free State, Bloemfontein), 31 August 2010.

that is basically where I could single out that politics played a major role in as far as this structure was concerned. At the time, it was not the right decision because a couple of months down the line, the structure was resuscitated and re-established but with new members. I think there was 1 or 2 that were sitting in the old structure. So, the decision was basically political, to get rid of the structure at the time. Basically, there were some difficulties between some government departments at the time which led to the getting rid of the structure. There were some differences between some government departments and the Council”.<sup>43</sup>

### **The winding down of the PEAC in 2004**

The winding down of the activities of the PEAC was as a result of the change of political leadership in the province after the April 2004 general election. After this election, President Thabo Mbeki appointed Beatrice Marshoff as the new province premier. Although the PEAC under Direko’s premiership recorded the above-mentioned successes in as far as research output was concerned, it ceased to exist when Direko left office after the 2004 election. The PEAC ceased to exist due to the fact that the “new” Premier Marshoff had different plans. In fact, the differences emanated from the composition of the committee. Marshoff appointed her own team, and the team and the new terms of reference were drawn up. Understandably so, as the “new” Premier, it was her prerogative to appoint the new structure with new terms of reference.

However, it should be noted that the PEAC did not officially disband, but it was clear that the new Premier Marshoff wanted another structure and people or team to advise her. This was indicated in a letter dated 5 September 2005, written by Dr JM Laubscher to all other PEAC members on the status of the Council. Laubscher wrote: “With regard to the future of the PEAC, I have had several discussions with the premier (in person) and the Director General (DG) and initially got the green light from the premier to arrange a special workshop to discuss the way forward with regard to a consultative forum for the premier. She then cancelled this meeting which was scheduled for 24 August, arguing that the province is part of another initiative of the Vice President of the country to optimise economic growth to 6%. In the meantime, I was assured by the DG of the significance of the work done by

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<sup>43</sup> C Twala (Personal Collection), telephonic interview M Mafela (Member of the PEAC in the Free State, Bloemfontein), 24 August 2010.

the PEAC. This was used extensively in compiling the Free State Growth and Development Strategy. It seems as if the PEAC has been successful in regard to what was delivered”.<sup>44</sup>

In spite of the above successes of the PEAC, there were lessons to be learnt from its existence. It was envisaged that the contents of the PEAC research reports would be implemented by the different government departments, but that did not actually happen because of the change in the provincial political leadership of the ANC after the 2004 general elections. The new leadership of Marshoff had different plans. It should also be noted that in most cases, the research institutions and researchers commissioned by the PEAC did not have close links with government departments in developing strategic institutions’ research strategies and priorities. There was also a lack of balance between supply-driven and demand-driven research. The researchers seldom understood the policy process and there was a need for research to have a much better general understanding of such processes. In some cases, the findings of the researchers were not sufficiently realistic for implementation. As mentioned above, although the PEAC managed to complete its three-year term of office, in one way or another, political interference nearly compromised its activities.

## **Conclusion**

The PEAC served as a resource from which the Free State provincial government had hoped to initiate growth and development. Established during Direko’s premiership, it played an important role over the years as a platform for debate on strategic economic issues. Policy-makers needed information from many sources for their decision-making. For issues relating to sustainable economic development, the PEAC provided essential background information. The PEAC regularly invited researchers and other experts to submit inputs on the different themes addressed. On many occasions, it invited members of the scientific community to draw up synthesis reports on some of the themes addressed. Researches undertaken and evidenced-based reports compiled, to a certain extent assisted the provincial government in the creation of jobs in the different communities of the province. For example, this was evident with the poultry and jewellery industries established.

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<sup>44</sup> JM Laubscher, “Disbandment of the PEAC and wrapping up the administration”, *Letter to the PEAC members*, 2 September 2005, p. 1.

Despite the above achievements, however, there were a number of criticisms levelled against it. One point of criticism was that research projects were mainly given to well-established companies and institutions. This process did not, in any way, assist the small and up-and-coming companies.<sup>45</sup> People aiming to set up businesses and gain contracts had been confronted by a range of constraints; some induced by the lack of broader legislative and institutional support. For small companies it was difficult to access funds for the purchase of capital inputs because obtaining credit was a problem.

The resuscitated version of the PEAC by Marshoff failed to function. A committee of new members was assembled but never became fully functional. One reason was due to the fact that there was a lack of continuity from the previous committee. It is interesting to note that the ANC rule has also so often featured endless reports and commissions, but with perhaps even less meaningful follow-up, while the underlying economic and social conditions continue to decline. The above statement could be justified by the seizure to exist of the PEAC during Marshoff's premiership.

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<sup>45</sup> For example, the following companies/institutions and well-established individuals were given contracts by the PEAC: Urban-Econ: Development Economists; Kayamandi Development Services; Learning Information Networking Knowledge Centre (Link Centre); Centre for Development Support (CSD); Human Sciences Research Council (HSRC); Rhodes University's Geography Department; CSIR Miningtek; Council for Geoscience; Lucienne Abrahams; Doreen Atkinson; and Christian Rogerson.