



**FROM WHAT TO DO TO HOW TO DO IT.**

# The Governance of Economic Planning

GAPP - THINK-TANK ON GOVERNMENT AND PUBLIC POLICY



# Executive Summary

**This report reviews the economic plans currently in circulation in South Africa.**

It considers the African National Congress's (ANC's) 'Reconstruction, Growth and Transformation: Building a New, Inclusive Economy', the Gauteng Department of Economic Development's 'Covid-19 and Outlooks for South Africa's Growth and Development 2020-2030', Business for South Africa's (B4SA's) 'A New Inclusive Economic Future for South Africa: Delivering an Accelerated Economic Recovery Strategy' and National Treasury's (NT's) 2019 'Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa'.

This report is the result of a process facilitated by Ivor Chipkin at GAPP and including Pascal Moloi, Pali Lehohla, Pam Yako, Tania Ajam and Bongani Khumalo.

The proposals discussed above have much in common in terms of what needs to be done. Where they differ is in how to do it. This report argues that most of these policy documents either make naïve assumptions about the private sector in South Africa or have unreasonable expectations of government departments, agencies and corporations.

Absent from the current debate in South Africa is substantive deliberation about the state of institutions in South Africa, whether those of government or business. The authors invariably call on departments, agencies and companies to implement their policies and models. However, we rarely pay attention to the capabilities of these institutions. This stems from a political culture that tends to fixate on individuals and personalities. Without a discussion of institutions and administrations, however, the economic debate is largely futile.

The ANC has interpreted the current crisis as one of continuing underdevelopment, which has “thrust onto the state a greater responsibility and role in the economy and society” (ANC: 2020, p. 6). As a result, “government must take on responsibilities well beyond those which are asserted by the neo-liberal agenda [...]” (Ibid, p.7). The ANC recognises that “due to subjective errors the capacity of South Africa’s democratic state has been weakened” (Ibid, p.6) and notes that “poor cadreship has resulted in the weakening of state capacity which has been compounded by corruption”. Yet these admissions do not shape the ANC’s account of how it will realise its plans. The party merely states that they should be “overcome”, and the rest of the document proceeds as if they have been.

The ANC’s model of implementation in ‘Reconstruction, Growth and Transformation’ jars with its assessment of its own capacity. In a 2017 discussion document on Organisational Renewal the party reflected that it is hampered by “insidious internal strife” and “factional battles”.

Why does it follow that intra-party factionalism translates into factionalism in government? In principle political parties and government are distinct domains. The reason lies in the deliberately porous boundary between the ANC as a political party and government. Originally deeply suspicious of the willingness of former apartheid and Bantustan administrations to implement its policies, the ANC (especially under Thabo Mbeki) sought to bring the civil service under more direct political control. It did this by blocking moves to professionalise the appointment of officials on meritocratic grounds and by introducing measures to politicise the recruitment and promotion of public servants. Understanding this enables better understanding of how ‘state capture’ occurred from 2012.

The business community is not convinced that government can handle the situation. “Policy uncertainty and inadequate policy choices, the underperformance or failure of key SOEs, persistent power shortages and a failure to address corruption and maladministration in the public and private sector, as well as at a societal level, have resulted in misallocation of scarce resources and sapped business and consumer confidence, which is now at an all-time low”, B4SA says (B4SA, p.5). There have been several credible plans over the last ten years the document notes, including the National Development Plan (NDP). None have been implemented (Ibid, p. 9).

It is to the international financial community that B4SA looks to impose discipline and coherence on planning and implementation in South Africa. This is why the document emphasises improving South Africa's position in various global rankings, including the World Bank's Ease of Doing Business index and the World Economic Forum's Global Competitiveness Report.

Global indexes are intended to do more than measure, however. To the extent that they influence foreign investment, they serve to discipline government action. The boldness of the document is that in effect it seeks a route to the making and execution of policy that gets around the ANC and government.

There is though no reason to believe that the private sector has in general more integrity or capacity than the public sector. Many South

African businesses benefitted from and business leaders were often cheerleaders for apartheid policies. Collusion and price-fixing before the 2010 world cup amongst the country's leading construction companies should have sounded the alert for what happened during the period of state capture when highly regarded South African and international firms were at the centre of the corruption and rent seeking (Chipkin and Swilling, 2018). More generally, outsourcing of government work to the private sector after 1994 has shown that integrity and capability in the private sector is a variable, and often poor and unreliable.

Without proper oversight the business sector tends towards collusion, over-pricing and poor service. There is no market-driven silver bullet in South Africa.

**This report argues, therefore, that the most pressing current economic challenge is government reform. A market driven recovery requires greater regulatory capacity in the state. A state-driven recovery requires extensive investment in building and the professionalising of government institutions.**

**The report lays out a general agenda for reform in the short, medium and long-term.**

## In the immediate term

the following principles should apply to any economic or other plans:

- ✓ Quickly and accurately review the capacity of the relevant departments, agencies, companies.
- ✓ Better design plans so that the state of the organisations that must implement them are considered in the planning process.
- ✓ Simplify mandates so that they are clear and where the respective role of all parties is unambiguous.
- ✓ Plans need to be modest. In the current situation where departments and agencies across government are extremely weak and, in some cases, exist in name only, it is unrealistic to expect too much from them.
- ✓ Plans will have to be geographically adjusted. Those departments and agencies better able to work programmatically tend to be located in the large urban centres and/or are situated at national level.
- ✓ In those areas where government capacity is lacking alternative arrangements need to be made; including drawing on the skills of the private sector and/or well-established NGOs.
- ✓ Civil society organisations need to be become active and vigilant at the level of departments and agencies and companies, holding them to account but also giving support to progressive, professional networks trying to work programmatically.

## In the medium term

- ✓ What is sometimes described as 'policy incoherence' refers to the failure of government to operate as a single unit on multiple, inter-related problems.
- ✓ Traditionally, a key site of coordination in government is the cabinet. President Mbeki operated a well organised cabinet system that gave the cabinet secretariat an important role in preparing the agenda and assembling departmental documents in accordance with the agenda.
- ✓ The break-down of this system deprived government of a key coordination mechanism.
- ✓ We propose that the cabinet system be restored immediately with powers granted to the cabinet secretariat to compel departments to comply with its protocols.
- ✓ What is urgently in addition, is for the cabinet (and the public as a whole) to have access to ongoing, comparative studies of government departments; which is performed by an institution that is structurally independent, and which reports directly to the cabinet secretary and to parliament.
- ✓ This body should draw on the expertise of South African universities and research organisations with authority to request departmental documents and interview relevant staff. There are also new technologies available that use Big Data techniques with social science to monitor and predict government performance.

# In the medium to long-term:

South Africans urgently needs to decide on the appropriate boundary between political and administrative roles and put in place the necessary legislation, regulations and institutions to give this separation effect.

The roles of advisors to the Minister are clearly political roles and should be appointed by the Minister in question or by the political party concerned according to its own process.

The roles of Director-General and that of Deputy-Director-General are ones at the interface between the political executive and the departmental administration. They need to have the trust of the politicians that they serve, whilst also having the faith of the department. It is appropriate that their appointment route is a mixed one. Below Director-General and Deputy-Director General appointments could be administrative.

Administrative appointments would require a universal entrance exam into the public service, as well as ongoing professional development through a properly resourced and independent National School of Government.

The role of vetting appointments in the public service should be returned to the Public Service Commission or a constitutionally independent body established for this purpose. The PSC would oversee all appointments and promotions to determine if candidates were suitably qualified and experienced.

For mixed appointments, the relevant department together with the Public Service Commission could shortlist candidates from which the Minister could choose.

Procurement Officers are always administrative appointments and given the scale of outsourcing in South Africa, the integrity of the role needs to be especially safeguarded. This could be done by

professionalising their roles by, in addition, requiring them to register with a suitably established, independent, statutory body that could withdraw its accreditation in cases of misconduct.

## **We propose that South Africa develop a hybrid system of appointment and promotion in government:**

National and Provincial departments should recruit and interview candidates according to their own processes and submit a short list of preferred candidates to their respective HR regimes for vetting.

Re-establish an independent HR regime at the centre of government for national departments, and provincial equivalents in all 9 provinces. These bodies must be accorded more than advisory powers and they must be carefully insulated from inappropriate political interference. They must vet candidates in terms of their expertise relative to the mandate of the department where they are applying for a job and in terms of the tasks of the job itself.

Admission to professional positions in the public service should be restricted to those who have successfully passed entrance examinations administered by the National School of Government. Promotions should be linked to passing grade examinations. There should be no moving between grades in the public service, that is, without having passed an appropriate test of proficiency associated with that level.

**The most pressing economic challenge in South Africa today is to improve the governance of public and private institutions.**

# Imagining the Recovery

**There are numerous economic plans in circulation in South Africa today.**

On 6th of June 2020 the Gauteng Department of Economic Development released a study of the effects of the Covid-19 epidemic on the provincial and national economy. The document, 'Covid-19 and Outlooks for South Africa's Growth and Development 2020-2030', outlined various scenarios and proposed measures to mitigate the worst economic effects. Shortly afterwards, on 10th of July 2020 the ANC published 'Reconstruction, Growth and Transformation: Building a New, Inclusive Economy'. The same day one of the largest business associations, B4SA, released its own plan, 'A New Inclusive Economic Future for South Africa: Delivering an Accelerated Economic Recovery Strategy'. Both came in the wake of the document prepared by the NT in August 2019, 'Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa'. Elements of the NT's plan were incorporated in the Minister of Finance's emergency budget speech on the 24th of June. This speech painted a picture of an impending sovereign debt crisis.

Much of the economic debate focuses on whether the size of the government's emergency intervention is enough to moderate the effects of the current crisis and whether it is correctly targeted. When the lockdown was announced in March 2020, to 'flatten the curve' of new infections, a large group, mainly of economists, wrote to President Ramaphosa. "While we appreciate efforts already undertaken [to support households and communities, to protect workers, to sustain businesses, to strengthen public health interventions and to strengthen the economy] we are concerned", they wrote, "that they are not comprehensive enough, and are not being implemented sufficiently rapidly or on a large enough scale to prevent real hardship for millions of South Africans" (Institute for Economic Justice, 30 March 2020).

After Tito Mboweni announced the emergency budget in June, the group wrote to the President again. The tone was much angrier. They complained that the budget 'renege'd on

the promises of a few months earlier and that it "betrays the rescue package announced by the President and threatens the viability of our economy and the lives of millions, in the short and medium term". They appealed to Members of Parliament to reject it. The essence of their complaint was that the budget represented a net increase of non-interest spending in the current year of just R36 billion. 75% of the R145 billion Covid-19-related expenditure was funded through the suspension of baseline allocations and reprioritisations. Moreover, there was a host of 'dangerous reductions', R2,1 billion from the Basic Education budget, R4,6 billion from provincial road maintenance budget, R10 billion from Higher Education and Training, R2,3 billion from Human Settlements, R2,4 billion from Agriculture and R1,5 billion from Mineral Resources and Energy. On the 23rd of July, the Institute for Economic Justice released a counter plan to re-open the economy based on a 'cautious and managed' approach complemented by 'massive expansion' of state and business support mechanisms.



Officials in the National Treasury and the Reserve Bank shot back. Greater spending required further borrowing, they said. Kuben Naidoo, the Reserve Bank's Deputy Governor, for example, warned that government had already consumed nearly the entire pool of national savings, so that additional spending would have to be financed on foreign markets. Before the epidemic South Africa was already spending almost 5% of GDP on debt-service costs, more than on health and social services combined. Emergency spending and the economic effects of the pandemic would increase the deficit to almost 15% of GDP in 2020/21. There was simply no possibility of further spending and borrowing without risking an 'unsustainable debt spiral' and the loss of sovereignty.

There were two largely unstated arguments underlying these positions. The first was that the government position reflected a bias towards 'economic orthodoxy', much of it tainted with 'neoliberalism'. The other was that financial caution was not so much an ideological reflex, as scepticism born of experience. Over the last decade or so South Africa had 'mismanaged' its finances, constraining the country's options (Naidoo, 7 July Fin24).

The paradox is that currently international economic thinking is more on the side of the 'progressive' economists. Rising global inequality

between and within countries is unsettling the consensus of the last 30 years that 'freeing' and expanding markets is the most important public policy objective. Thomas Piketty describes this as the crisis of the 'inequality regime' that emerged in the West in the 1980s (Piketty: 2020). Like Piketty, 'progressive' economists in South Africa see an opportunity to define a new egalitarian agenda. From this perspective, conservative policymakers, especially in the South African Reserve Bank and the NT are a wet blanket on possibilities.

The mismanagement that Naidoo referred to above, however, has not simply denuded the Treasury of capital. It has denuded institutions of capacity and integrity, so the concern is that pumping additional resources into health departments or social services is likely to have perverse effects. This has recently happened in the procurement of urgently needed protective care for hospital workers. Alleged collusion between health officials and politically connected businesses has seen goods sold to government at exorbitant prices even when the masks, aprons and gloves have not been delivered on time or at all (Mokone, T. Masondo, S. Cele, S. and de Klerk, A, 26 July 2020; Tsunga, A. Mazarura, T and Heywood, M, 2 August 2020). Carol Paton recently summed up this anxiety when she wrote in Business Day:

“

**The real problem lies with the ANC's patronage arrangements with the political class, which soaks up revenue, and the countless concessions it makes to its political allies and interest groups to keep its support base intact. [...] To satisfy the political class [...] SA runs an enormous and expensive government bureaucracy. It has allowed the legal — through procurement rules — and illegal inflation of prices, and has allowed flagrant corruption by politically connected to go unpunished** ”

(Paton, Business Day, 27 July 2020).

**Mark Heywood put it more crudely. He criticises Ramaphosa for leaving the response to the Covid-19 epidemic in the hands of a “broken and bastardised state” (Heywood, Daily Maverick, 29 July 2020). If the social justice economists call government heartless, Paton and Heywood in effect call them naïve.**

Absent from the current debate in South Africa is substantive deliberation about the state of institutions in South Africa, whether those of government or business. The Indlulamithi Scenarios group hosted a seminar on the 21st of July 2020, for example, which brought together some of the people behind the economic documents mentioned above. These included Enoch Godongwana, ANC head of economic policy, and Cas Coovadia, head of B4SA, as well as senior government officials and many others, Pascal Moloji, the former City Manager of Johannesburg, was driven to write: “tired of hearing talk of the need to build a capable and developmental state without any tangible commitment to transforming and reconfiguring

the state at all levels”. Therein lies the problem. The authors of policies and models invariably call on departments, agencies and companies to implement them. However, we rarely pay attention to the capabilities of these institutions.

This is a consequence of a political culture that tends to fixate on individuals and personalities. Xolela Mangcu reflected this when in response to Thabo Mbeki’s AIDS denialism he appealed to Nelson Mandela to save us. Trade unions, the South African Communist Party and the ANC Youth League under Julius Malema, similarly, looked to Jacob Zuma. In 2017, many looked to Cyril Ramaphosa to save South Africa from Jacob Zuma. Judging by public commentary today the mood is despondent; Ramaphosa has not lived up to expectations. It turns out he is as much a creature of the ANC as everyone else. This is a sure lesson that institutions matter. The pervasive culture of factionalism that has characterized the ANC has been starkly exposed. The institutions of government across the three spheres have been destabilized by the manner in which government programmes are implemented.

Without a discussion of institutions and administrations, however, the economic debate is largely futile. It tends towards generalisation, positive or negative. If, for example, it is true that government departments are reasonably effective, able to absorb additional resources and spend them according to relevant policies, then it is likely that huge strides can be made in dealing with the current health emergency and setting South Africa on a fairer and more prosperous economic path. This is what some of the economic planning done for the Indlulamithi Scenarios suggests, for example: that South Africa’s GDP can be doubled in the next ten years and that unemployment can be reduced from current levels to just 12%. The Reserve Bank is starting from a very different position, it seems. “Why have we had so many plans,” the Deputy Reserve Bank governor asked during the seminar, “but spectacularly failed to implement any of them?”. The reason is that we do not engage with the binding constraints on policy execution, Naidoo suggested, especially a weak state, with low accountability and a low skills base.

Economic policymaking in South Africa rests on a contradiction or an article of faith: economists appeal to institutions that they do not trust or that they trust too much to implement their proposals.

The challenge is to ground the search for solutions in concrete societies, specific historical periods and particular institutions (Picketty, p. 9).

**We will never escape these conundrums as long as policymaking appeals to abstractions like ‘government’, ‘the state’, the ‘private sector’, the ‘public service’.**

This report will begin this work by considering the institutional assumptions in current economic policy proposals. It will be guided by two questions:

## **What do they say about who will do the work? Do they make reasonable assumptions?**

the next section we will see that all the economic plans and discussion documents mentioned above make assumptions about government departments, agencies, provincial governments, municipalities and private companies. They have to, for institutions transform policies into concrete actions. The report will then review what we know about the institutions concerned to reflect on the reasonableness of these assumptions. Reasonableness is defined here as the alignment of an assumption with the likelihood that the institution in question is able to perform the role expected from it in the policy. A reasonable assumption, for example, is that that an organisation experiencing

frequent and unexpected changes of leadership is not likely to be able to define its strategy clearly. An unreasonable one would be that it is.

Reasonableness is not a theoretical measure but an empirical one. It requires consideration of real life institutions and evaluation of their actual capacity and efficiency. It requires, that is, that we move quite far from the way the debate in South Africa is currently conducted. In the third section of the report, we will consider what it will take to improve the ability of various institutions to play their role effectively.

**At stake is the programmatic functioning of government, that is, the ability of government departments and agencies to**

- translate policies into operational plans and**
- pursue plans according to concrete actions.**

**In other words, this report will lay out a programme of institutional reform.**

# Economic Plans & Governance Assumptions

## 3.1 What is to be done?

Many of the economic plans and discussion documents circulating in South Africa today start from the perspective that the country is in deep crisis. Asghar Adelzadeh who has been doing economic modelling for the Indlulamathi Scenarios exercise sponsored by Anglo American and for the Gauteng Government, notes that the health crisis has exacerbated South Africa's persistent low growth and inequality. Even before the pandemic the NT described South Africa's economic trajectory as unsustainable:

**“Economic growth has stagnated, unemployment is rising, and inequality remains high” (NT, p. 11).**

**B4SA's plan, 'A New Inclusive Economic Future for South Africa' concludes: "The Covid-19 crisis has exacerbated a negative downward spiral which was already well-entrenched prior to the crisis, as evidenced by the subdued economic growth over this period" (B4SA, p.18). Cas Coovadia put it more explicitly. South Africa, he said, is at a T-junction. On one side is a failed state, on the other a long road to recovery.**

The ANC document, 'Reconstruction, Growth and Transformation' is more sanguine, arguing that the epidemic has exposed South Africa's legacy of underdevelopment and the ongoing realities of poverty and racial and gender inequality (ANC: 2020, p. 2).

There are three different concepts of crisis in these proposals. In the first, the Coronavirus has exacerbated a crisis of policy. In the second, it has revealed the crisis of the South African state. For the ANC, it has exposed the ongoing crisis of underdevelopment.

Enoch Godongwana explained the ANC position in a recent seminar. The epidemic has brought to the fore the structural underdevelopment of parts of the country, especially in largely Black areas. In language reminiscent of the early 1990s, the ANC describes South Africa as a land of two economies, "one poor and mainly black and one rich and mainly white". 'Reconstruction, Growth and Transformation' explains further: "South Africa remains a highly unequal society where too many people live in poverty and too few work. The quality of school education for most black learners is poor. The apartheid spatial divide continues to dominate the landscape. A large proportion of young people feel that

the odds are stacked against them. And the legacy of apartheid continues to determine the life opportunities for the majority" (Ibid, p.8).

As a result, the ANC proposes 'massive' investments in disadvantaged areas, focusing on deficiencies in infrastructure. Infrastructure investment, well suited to absorb largely unskilled local populations, would go some way to overcome the historical neglect of these areas. It would stimulate domestic demand and have multiplier effects.

The ANC proposes investments in water and sanitation, roads, energy, commuter transport, the rail system - including building high speed trains between major cities, freight and logistics, aviation and in human settlements, health and education. The ANC wants interventions in agriculture and land reform, expanding the amount of irrigated land for smallholder and commercial farmers, for example. Manufacturing is another priority area, especially providing incentives for local production of agro-processing and healthcare goods, mining equipment and machinery, for example. The party wants locally mined minerals to be beneficiated in South Africa. It wants coal-fired power stations coming to the end of their lives, and public and private buildings, retrofitted with renewable energy technologies. It seeks investments in South Africa's ports. It wants the introduction of e-visas to be expedited and an 'aviation strategy' to be finalised. Broadband spectrum is to be made available by resolving the current policy paralysis. The party wants to encourage innovation by creating hubs focusing on growth-oriented research and development (RGT, 9-22).

The B4SA document also proposes using infrastructure investment to stimulate economic recovery, create jobs and expand the tax base. It lists 12 priority projects and initiatives (p.10). Like the ANC, B4SA wants Eskom's operating and capital challenges resolved and wants more

investment in renewables. It seeks investment in rail, especially the Saldanha and Lephalale-Maputo lines. It too proposes modernising and expanding ports, better maintaining the roads and integrating cars, buses and taxis with other modes of transport. It wants the role of taxis to be clarified. It seeks more broadband spectrum, wants investment in water infrastructure and seeks expansion of agricultural production. Like the ANC, B4SA wants industrial policy to provide incentives for import substitution.

The NT's document maps out a wide-ranging economic and social policy response to the current situation. It distinguishes between

interventions needed to achieve economic growth and interventions required to transform the economy, that is, change patterns of economic ownership and control. While the immediate focus is on policies that will increase South Africa's growth potential the document begins by identifying the interventions needed to transform the economy, as well as five 'themes' that should inform any sectoral intervention. Because poor educational outcomes in South Africa are a major source of intergenerational inequality, perpetuating historical socio-economic disadvantage, it proposes that policy focuses on early childhood development and on programmes to improve literacy at primary school

(NT, p. 13). The NT wants training and apprenticeship programmes specifically targeting the youth. It notes that the lowest wage earners spend 40% of their income on commuting and proposes that urban transport policy and targeted housing focus on overcoming the spatial legacy of the apartheid city. In face of an acute shortage of high-level skills it wants immigration controls relaxed on suitable foreigners. The NT proposes a 'new compact' between business and government, where government commits to policy progress in making the economy competitive and business is seen to act in the public interest. Finally, it seeks a shared commitment to macroeconomic stability,

**In response to the Covid-19 emergency Institute for Economic Justice has published several reports about how to mitigate the economic effects of the epidemic especially for poor and for working-class families. While acknowledging the risk of corruption and of government institutional weakness, its proposals nonetheless consists of exhortations to spend more in health on unemployment insurance, on social grants and so on. There is no engagement with the ability of these departments and agencies to absorb more money and to spend it programmatically according to existing policies.**

comprising “fiscal sustainability, a flexible exchange rate and inflation targeting” (NT, p.15).

Like Business and the ANC, the NT’s proposals in the immediate term focus on infrastructure development, especially in what it calls ‘network industries’, such as transport, energy, water and communications. ‘Economic transformation, inclusive growth, and competitiveness’ contains detailed plans for each sector, including, for example, bringing down freight rail costs by allowing private sector use of branch lines and by encouraging competition between port terminal operators. Like others, the NT calls for South Africa to expedite digital migration, which continues to be the “the single biggest

constraint on the growth of the telecommunications sector and is a bottleneck for broader economic growth” (p. 23) as well as ending Telkom’s monopoly on local fixed-line connections by encouraging unbundling. It also notes that a complex regulatory environment and high barrier to entry favour large, established companies and exacerbate economic concentration.

The B4SA model puts more emphasis on social investment than these other plans. Various groups and individuals, from the Institute for Economic Justice, to the Government and Public Policy Thinktank to Colin Coleman have called for the introduction of a Universal Basic Income Grant, in addition to other

economic stimulus measures.

If we restrict our analysis to what is to be done, we can readily agree with the talented business journalist, Carol Paton, that there much in common between these plans. Indeed, Paton finds that the difference between the ANC and B4SA proposals largely comes down to how they plan to fund their proposals, with the private sector (and the Reserve Bank and the NT) looking to foreign investors and government looking to the pension funds (Paton, Business Day, 27 July 2020). If, however, we consider how these plans are to be implemented the differences begin to emerge.

## 3.2 How is it to be done?

**Plans that focus exclusively on policy, or what needs to be done - the vast majority of interventions - have little to say about how to do it.**

**This section will focus on the ANC’s ‘Reconstruction, Growth and Transformation’ and B4SA’s ‘A New Inclusive Economic Future for South Africa’. They are the only documents that explicitly address implementation. The rest are either exhortations to do one thing or another or descriptions of what needs to change.**

We saw that the ANC has interpreted the current crisis as one of continuing underdevelopment, which has “thrust onto the state a greater responsibility and role in the economy and society” (ANC: 2020, p. 6). As a result “government must take on responsibilities well beyond those which are asserted by the neo-liberal agenda [...]” (Ibid, p.7). The ANC recognises that “due to subjective errors the capacity of South Africa’s democratic state has been weakened” and that “poor cadreship has resulted in the weakening of state capacity which has been compounded by corruption” (Ibid, p. 6). Yet these admissions do not figure in the ANC’s account of how it will realise its plans. The party merely states that they should be ‘overcome’ and the rest of the document proceeds as if they have been:

These subjective weaknesses need to be overcome so that the ANC-led Alliance can reassert itself as the most powerful and coherent political force in South Africa providing leadership to wider South African society and guiding the economy onto a transformed inclusive growth path (Ibid, p.7).

Enoch Godongwana warns that ‘Reconstruction, Growth and Transformation’ is an internal document intended

mainly for ANC members. Even so, that it says nothing about how to ‘overcome’ the weaknesses in government is a very striking absence.

The ANC’s proposals hinge on a notion of hegemony. It is not that everything will be done through public ownership but that the “state will play a strategic leadership role”, “stipulat[ing] public policy objectives”, with public and private entities “mak[ing] proposals regarding how best they will contribute to the achievement of the stipulated vision” (Ibid, pp 8-9). This supposes that the ANC is in a position, politically, intellectually, and morally to generate a common position internally and then to rally other social actors behind a shared worldview. The task is made even more challenging by the ANC suggestion that implementation should largely be by municipalities at local level within the framework of the District Development Model (DDM).

There are, in practice, at least two versions of the DDM. The first is what has been called the KwaZulu-Natal model and the other is that practiced in Gauteng. Both versions of district development planning emphasise the integration of provincial and municipal development plans through an

inter-governmental mechanism that facilitates coordinated planning and implementation. The KZN model has been called ‘statist’, with the provincial government taking the lead and local authorities expected to fall into line. The Gauteng model is said to be participatory, with municipalities playing a greater role in shaping the plan. Given the fact that the geographically smallest province has some of the largest metros it is perhaps not surprising that the DDM there better accommodates municipal views. District development planning, however, strains against the constitutional structure of inter-governmental relations, which grants to each sphere of government autonomy in its respective areas.

This means that municipal compliance with provincial plans can only be secured through agreement as there is no legal mechanism to compel local governments to assent. This is one of the ongoing problems of the Integrated Urban Development Framework (IUDF), the signature policy of the Department of Cooperative Governance and Traditional Affairs (CoGTA). It seeks to “steer urban growth towards a sustainable model of compact, connected and coordinated towns and cities”, in part by fostering “a



shared understanding across government” of how best to best to manage urbanisation and realise economic development. The difficulty is that CoGTA cannot legally compel any municipality to prioritise capital spending on projects that align with the IUDF. Hence implementation of the strategy is at the mercy of voluntary political agreements between parties. In this way, the IUDF hinges in practice, like the DDM, on the ability of the ANC to fulfil its strategic leadership role. B4SA doubts that the ANC is up to such a task. There may be superficial similarities between their proposals and those of the ANC, but there is implicit disagreement about the character of the ANC itself, about the capacity of the State and, ultimately, about who should be driving economic rescue. The B4SA document is full of exhortations, urging ‘decisive action’, ‘prioritising ruthlessly’, ‘making trade-offs and sacrifices’ (B4SA, p.3). “It is only on the basis of a coherent economic recovery strategy, clearly articulated and implemented competently, efficiently, and led with visible urgency, that we will be able to establish a new narrative about South Africa at a macro-economic level,” the document concludes (Ibid, p.4).

We have to infer Business’s proposal on how things should be done because the document is seldom explicit. Yet enough is said in passing or implicitly to get an idea – and the idea is, indeed, bold.

The document posits two scenarios for South Africa. In the ‘low road’, the absence of decisive leadership and action prolongs policy uncertainty, corruption, lack of accountability, and lack of capacity, resulting in negative growth for the next decade. In the ‘high road’, the country makes the right strategic choices and takes decisive action, doubling the economy in the next ten years (Ibid, p. 7). A further detail is important for our purposes. Business calls for ‘the country’s leaders’ to respond to the current crisis on the basis of a ‘data-driven’ and ‘rational’ approach. Pali Lehohla, South Africa’s former statistician-general, has made similar appeals. “I have sounded like a broken record over a decade,” he wrote in January this year, “but the key action for the government to take is proper planning [...] backed by statistical evidence” (Lehohla, Pali, 20 Jan. 2020).

The business community, however, is not convinced that government can rise to the occasion. “Policy uncertainty

and inadequate policy choices, the underperformance or failure of key SOEs, persistent power shortages and a failure to address corruption and maladministration in the public and private sector, as well as at a societal level, have resulted in misallocation of scarce resources and sapped business and consumer confidence, which is now at an all-time low” (B4SA, p.5).

The document notes that there have been several credible plans over the last ten years, including the NDP. None have been implemented (Ibid, p. 9). “The absence of a capable state and inadequate alignment between the social partners has, inter alia, complicated implementation of the necessary reforms” says B4SA (Ibid, p.9), mooted NEDLAC as a structure where, potentially, cooperation could be forged.

It does not stop there. If infrastructure development is to be an enabler, projects need to be ‘conceptualised, prepared and structured’, technically and financially, to “the same level of efficiency as is most often attained in the private sector” (Ibid, p.11). Given that government has already failed in this regard, the document ultimately looks to the private sector to play this role.

## **Who will implement these plans if they are ever prepared? As we have seen business does not hold out much hope that government will be able to do so.**

There is an implicit analysis of why government fails when it comes to implementation. The reason lies in the incoherence in policymaking created by disputes within the ANC alliance and within the ANC itself – though the document is vague on this point. In this respect current dependency on foreign investment is a blessing in disguise. B4SA looks to the international financial community to impose discipline and coherence on planning and implementation in South Africa.

This is why there is a major emphasis in the document on improving South Africa's position in various global rankings, including the World Bank's Ease of Doing Business index and the World Economic Forum's Global Competitiveness Report. "It is these external rankings which we have to accept as a measure of our success

in reshaping the national narrative and the sentiment towards the nation as a place to invest and do business", says B4SA (Ibid, 4). Global indexes are intended to do more than measure, however. To the extent that they influence foreign investment, they serve to discipline government action. This is the boldness of the document. It seeks a route to policymaking and execution that evades the ANC and government.

There is no reason to believe, though, that the private sector has more integrity or capacity than the public sector. Many South African businesses benefitted from and/or were often cheerleaders for apartheid policies. Collusion and price-fixing in preparation for the 2010 world cup amongst the country's leading construction companies should have sounded the alert for what happened during the period of state capture when highly regarded South African and international firms were at the centre of corruption and rent seeking (Chipkin and Swilling, 2018).

## **Isomorphic Mimicry**

Relying on international rankings increases the risk of what Matt Andrews, Lant Pritchett and Michael Woolcock call 'isomorphic mimicry'; the copying of the form of an organisation on the basis that it has worked elsewhere, leading to a situation where 'looks like' substitutes for 'does' (Andrews et al, 2017). Kate Bridges and Michael Woolcock noted, for example, that in 2011 half of all World Bank projects, featuring more than \$50 billion, focused on institutional reform. So did those of the United Kingdom's Department for International Development (DfID) and the Asian and African Development Banks' portfolios (Bridges and Woolcock, p. 4). Yet in all cases the results were poor, even harmful. Why? Most of these initiatives were based on merely incorporating 'best practice' models and designs from around the world into local environments, but usually ignoring the particular context. Organisations and projects were regarded as successful to the extent that they conformed with 'best practice' models and designs that were deemed to have worked elsewhere.

More generally, the record of outsourcing of government work to the private sector after 1994 has shown that integrity and capability in the private sector is variable, and often poor and unreliable. The South African government spends more than R900 billion rand a year on goods and services across all spheres (NT, 2017, p. 1). In 2016/2017 nearly 83 000 suppliers received orders from national and provincial departments, yet 80% of goods

and services are procured from only the top 400 suppliers and nearly 40% goes to only 60 companies, many of them in the health sector (Ibid, p.11). A public procurement perspective indicates that when private companies are relied on to realise government goals, they require firm regulation and oversight. This goes to the heart of South Africa's current dilemma. Technical and operational capacity to deliver on concrete projects often lies

in the private sector and not in government. Yet the business sector has also demonstrated that without proper oversight it tends towards collusion, over-pricing and poor service. There is no market-driven silver bullet for South Africa.

# The State of Government in South Africa

**The ANC's model of implementation in 'Reconstruction, Growth and Transformation' jars with the organisation's assessment of its own capacity.**

In a 2017 discussion document on organisational renewal, written after the party lost power in three Metros after local government elections, including in Johannesburg, the economic capital of the country and Tshwane, the administrative capital, the party reflected that:

**The political life of the organisation revolves around insidious internal strife and factional battles for power. [...] The internal strife revolves around contestation for power and state resources, rather than differences on how to implement the policies of the movement (ANC: 2017, section 134).**

**There is a growing scholarship about the ANC, not simply as a liberation movement or as a political party, but as a party-in-government. It increasingly focuses on how the ANC functions as a bridge into government which serves as a source of patronage for ANC leaders and officials (Ndletyana: 2020, Olver: 2018, Booysen: 2012, PARI: 2017, Levy et al: 2018). As the party itself splintered, however, it transferred factionalism into government, turning state institutions into battlegrounds of competing cliques. The result is chronic instability, in-fighting and destabilised institutions and administrative systems (Phadi, Pearson and Lesaffre: 2018, p.595).**

We should distinguish between two periods in this process of internal splintering. Writing about the decline of ANC support in Port Elizabeth in the Eastern Cape, Mcebisi Ndletyana notes that the election of the ANC into municipal government triggered fierce competition for positions (Ndletyana, 2020). Splintering here refers to the jostling for positions in office as 'factions' formed in support or opposition to one or another candidate. Yet ANC political dominance, a result of its ability constantly to regenerate itself electorally, saw a loss of focus on governance and service delivery. As ANC membership grew rapidly in the 2000s (it almost doubled to 1,2 million members between 2008 and 2012 (Booyesen, p.308)) it lost control of its deployment policies, seeing thousands of what Ndletyana calls 'unscrupulous' individuals transferred into municipalities, provincial governments, national departments and the hundreds of agencies at all levels of government. Secure, nonetheless, of being returned to power, ANC officials directed their attention inwards, toward their own desires for wealth and towards

the party's internal factional struggles. In this way the party also attracted aspirant black capitalists seeking a route to capital accumulation in an environment constrained by the white-dominated formal economy (Von Holdt, 2019). Such political narcissism was associated with a serious decline in government performance across the three spheres of government.

When ANC administrations are compared to those few governments in South Africa run by the opposition Democratic Alliance (DA) the difference between them further supports the arguments above. Profoundly insecure of its electoral majority, DA administrations have focused on winning support by effectiveness in government. Judged by a several indexes, including reports of the Auditor-General on the financial status of governments, DA administrations tend to score better. In their comparative study of educational outcomes in the Eastern and Western Cape, for example, Brian Levy et al note that in the "Western Cape the combination of electoral competition and a legacy of relatively strong impersonal institutions resulted in a progressive strengthening of the education bureaucracy, irrespective of which political party was in power". In contrast, in the Eastern Cape "intra-ANC politics having become progressively more personalised and fragmented, and with deepening patronage in the operation of institutions, especially including within the education bureaucracy" (Ibid, p. 14).

The ANC has recognised many of these problems. In 2017 in Mangaung, at the 54th National Conference, cadre deployment was widely debated. The final report of the conference notes that the organisation had neglected cadre development, allowing people without the requisite understanding of ANC values or of appropriate ability to move into government positions (ANC, Report of the 54th Conference, section 10).

Yet the problem is not simply that cadre deployment is a route for the wrong people into government. Why does it follow that factionalism within the party translates into factionalism in government? In principle political parties and government administrations are distinct domains. The reason lies in the deliberately porous boundary between the ANC as a political party and government. Deeply suspicious of the commitment and ability of former apartheid and Bantustan administrations to implement ANC policies, especially under Thabo Mbeki the party sought to bring the civil service under more direct political control. It did this by blocking moves to appoint officials on meritocratic grounds, which could have led to a professionalised public service, and by instituting measures to politicise the recruitment and promotion of public servants. So, for example, the political executive in national and provincial departments is responsible for the appointment of officials and not the chief bureaucrats. Directors-general require delegated authority from their ministers to exercise operational authority in their departments. In many cases the President and/or cabinet ministers directly choose the heads of key institutions. After the experience of President Zuma, who frequently appointed unsuitable people

to senior roles, there is today a constitutional jurisprudence that seeks to bring some measure of 'rationality' to this process. As a rule, public service in South Africa lacks institutional autonomy from the political class (Chipkin: 2016, Chipkin, forthcoming 2021). The situation is especially severe in municipalities where there is not even a nominal separation between political and administrative roles.

If we understand this, we can understand better how 'state capture' occurred from 2012. The repurposing of state institutions, Eskom and Transnet in particular, to serve purposes outside and beyond their formal mandates followed a common pattern. Typically, government would announce its intention to pursue a large infrastructure project. State owned enterprises (SOEs) would respond by launching capital investment projects of their own. Tenders would be announced, there would be a bidding process and winners would be selected. New entrants would be awarded contracts, usually at grossly inflated prices. Cost escalations were typically on a scale previously unheard of in South Africa. These illicit profits – 'rents' – would ultimately be expatriated, but first they passed through the accounts of numerous other companies, none of which were related to the original work or could have expected payment.

Within the SOEs themselves, 'capture' followed a common sequence. A cabinet reshuffle would remove an obstructionist minister who would be replaced with someone more aligned to the President. The board would be shuffled and key operational portfolios, the CEO and head of procurement, for example, would be given to people within the corrupt network. Control of key portfolios was also used to outsource key financial roles to private companies that would hedge new projects through currency swaps and other derivative structures. This earned them huge consulting revenues. These deals may also have been concluded on the basis of above market interest rates, earning their beneficiaries a long-term income.

What made these events possible was either a lack of clarity about the respective powers and functions of political officers and managerial and/or administrative staff or the illegal trespass of the President and/or ministers into operational matters. In some cases, reflecting the unresolved relationship between the political, managerial and administrative domains, the politicians are given effective operational authority. This creates a bridge or revolving door between the party and the public service and municipal administrations.

## **We have an excellent example of this in Barbara Hogan’s testimony to the State Capture Commission (SCC).**

In 2010 government announced an R84 billion infrastructure fund to be spent over the next five years. Barbara Hogan was then Minister of Public Enterprises and she welcomed the initiative (Hogan, p. 6). Transnet and Eskom would spearhead the investment programme. That same year, Minister Hogan fell out with President Zuma over the removal of Eskom CEO, Jacob Maroga. She was fired from her post and replaced by Malusi Gigaba. Hogan testified about this experience at the Zondo Commission. It is worth following her testimony because it brings to the fore how failure adequately to safeguard the institutional autonomy of state bodies from inappropriate political interference laid the basis for performance failures and capture.

In October 2009, a dispute broke out between the Board of Eskom, chaired by Bobby Godsell, and the Chief Executive Officer, Jacob Maroga. The details need not detain us, other than to note that Maroga apparently resigned and the board accepted his resignation. Later Maroga refused to vacate his office, insisting that he had not, in fact, stepped down. He appealed to Minister Hogan to intercede on his behalf and to confirm his position. She would not, claiming that she did not have such authority. “In terms of corporate governance in a company,” Hogan explained, “the relationship between the CEO and the Board is one of accountability and as a Minister, as a shareholder, the corporate governance framework does not allow the shareholder to intervene in that relationship” (Hogan, p.43).

The next day, Hogan received a call from the President. According to her testimony he asked, “What do you think you are doing?” He then instructed her: “They [the board] have got to

stop now”. Hogan refused to confirm Maroga’s appointment insisting that such an instruction must come from the President himself. There were attempts to negotiate a short-term compromise, whereby the board would confirm Maroga in his position if he agreed immediately to go on leave. According to Hogan, Maroga rejected it. On the 9th of November, on her way to Eskom, she received a call from the President to say that he had given Jacob Maroga permission to return to Eskom as CEO. The same day Maroga sent a letter to the Minister and to the Board. He copied in the Eskom Executive, the managing directors, other departments and even the Parliamentary Portfolio Committee on Energy. “I wish to affirm,” the message declared, “I remain the chief executive of Eskom. The shareholder at the highest level has confirmed that any action regarding my status [...] must be requested formally and granted by the shareholder. I have affirmed that no request has been formally lodged and none has been granted” (cited in Hogan, p. 58). The “shareholder at the highest level” clearly referred to the President. Hogan called the letter a “declaration of independence” from the Board and Minister. Maroga and the President had “flouted everything relating to corporate governance”; essentially allowing the CEO to go “rogue” (Hogan, p.59).

At this point Minister Hogan decided to approach the ANC. Enoch Godongwana went to see ‘senior office bearers’ at Luthuli House. Then something unexpected happened: “Mr Maroga [...] received a telephone call from the President to say that he must vacate that office immediately, and that he would only go back on my authority. Mr Maroga then vacated his office and I went down to Parliament to make a public statement about the position of the CEO in – of Eskom’ (Ibid, p.64). The ANC had, apparently, disagreed with the President in this matter.

**There are two decisive moments here. The first is the attempt by the President to exercise his prerogative in a way that undermined the authority of the board. The second is that the President only acknowledged due process after the ANC intervened. In this instance, Jacob Zuma deferred to the authority of his party.**

Policy implementation, however, is not only hostage to politicised management, administration and processes, largely as they relate to procurement. It is has also been a victim of well intentioned, though overly ambitious plans. Or rather, it has been

a victim of plans that do not pay adequate attention to what it takes to implement them. The poster child for this was the introduction of Outcomes Based Education in departments and schools that had inadequate preparation. New practices came up

against embedded cultures, norms, expertise and traditions (informal institutions) that resisted or subverted them (see Ajam, p. 79). The danger is that economic plans currently on the table repeat many of these mistakes.



# A Reform Agenda for Government

Three broad themes emerge from South Africa's recent experience of government. We can summarise them as political, structural and methodological.

## 5.1 Political dynamics

Governance is weakened by the unresolved relationship between political and administrative officers. The NDP first called attention to tensions in the 'political-administrative interface'. In essence, government in South Africa is too political.

Although the tendency, especially in local government and in the majority of provinces, is for politicians to interfere inappropriately in operational matters, the lack of clarity means there is unevenness across the hundreds of departments and agencies that make up the government system. In some places, politicians have respected the autonomy of officials or officials have pushed back against political meddling. This is not simply a detail. Such unevenness points to a way through the vicious circle of South Africa's governance paradox. Some departments, agencies and municipalities have managed to insulate themselves better from inappropriate political interference than others and are, therefore, more institutionally stable. They are also likely, with

the right support, to be in a better position to execute policy.

**South Africa urgently needs to decide on the appropriate boundary between political and administrative roles and put in place the necessary legislation, regulations and institutions to effect this separation.**

- The roles of advisors to the Minister are clearly political. They should be appointed by the Minister in question or by the political party concerned according to its own processes.
- Directors-General and Deputy Directors-General are at the interface between the political executive and departmental administration. They need to have the trust of the politicians that they serve and the faith of the department. It is appropriate that their appointment route is a mixed one. Below Directors-General and Deputy Directors-General appointments should be administrative.
- Administrative appointments should require a universal public service entrance examination, as well as ongoing

professional development through a properly resourced and independent National School of Government.

- The role of vetting appointments in the public service should be returned to the Public Service Commission (PSC) or a constitutionally independent body established for this purpose. The PSC would oversee all appointments and promotions to determine if candidates are suitably qualified and experienced.
- For mixed appointments, the relevant department together with the PSC should shortlist candidates from amongst whom the Minister chooses.
- Procurement Officers are always administrative appointments. Given the scale of outsourcing in South Africa, the integrity of the role needs to be especially safeguarded. Their roles could be professionalised by requiring them to register with a suitably established, independent, statutory body that could withdraw its accreditation in cases of misconduct.

# The Centre of Government

**Ambiguity about the relationship between the political and administrative also translates into confusion and overlapping mandates in the organisation of government as a whole. This is especially evident at the 'centre of government'.**

There are overlapping mandates between the PSC, the Department of Public Service and Administration (DPSA), the Department of Planning, Monitoring and Evaluation (DPME) and the Presidency. Moreover, for all the crowding in that space, there is no department with overall responsibility or authority for ensuring that government employs, promotes and dismisses people according to sound human resources (HR) practices.

Historically, the PSC in South Africa, as elsewhere in the British Commonwealth, vetted the qualifications and suitability of candidates for public office and made recommendations to the relevant departments in this regard. In other words, it served as an HR authority for government as whole. The PSC also played a key role in evaluating the performance of departments relative to their policy mandates.

The introduction of the Public Laws Amendment Act in 1997 transferred most of these powers

to ministers and members of executive councils (MECs). This meant that ministers in national departments and MECs in provincial departments became responsible for the internal organization of their departments and for appointments and promotions (Cameron and Tapscott, p.86). Cameron and Tapscott described this as a victory for the newly created DPSA over the PSC and the Presidency, which were now tasked with setting norms and standards for public service in national and provincial departments. The administrative space became further crowded in 2010 when the Department of Performance, Monitoring and Evaluation was created (later the Department of Planning, Monitoring and Evaluation) (DPME), to do as its name suggests with respect to the Outcomes-Based Model of Government that President Zuma introduced shortly after to coming to power. This was another encroachment into the traditional space of the PSC,

which today serves primarily to investigate complaints and grievances by public servants.

The disestablishment of an HR regime at the 'centre of government' went hand in hand with moves to empower departmental managers in national and provincial governments. These developments were strongly influenced in South Africa by public management ideas (often associated with New Public Management) that arose from academic critiques of public administration as a discipline and bureaucracy as an organisational form. The Public Service Act of 1994, for example, was premised on the idea that 'managers must manage' and the Public Finance Management Act (PFMA) was designed to give this idea concrete expression. In a context, however, where politicians had wide control of the appointment process, officials in departments across government were not necessarily hired for their competence or suitability for the job. This was

further aggravated by the ANC's own cadre deployment policies. Politicisation has also brought instability to departments as party-political jostling plays itself out. The results are there for all to see: unevenness in the quality of officials across all spheres of government and instability in key offices and staff cohorts.

## **We propose that South Africa develop a hybrid system of appointment and promotion in government:**

- National and provincial departments should recruit and interview candidates according to their own processes and submit a short list of preferred candidates to their respective HR regimes for vetting
- Re-establish an independent HR regime at the centre of government for national departments, and provincial equivalents in all nine provinces. These bodies must have more than advisory powers and must be carefully insulated from inappropriate political interference. They must vet candidates in terms of their expertise relative to the mandate of the department in which they are applying for a job and in terms of the tasks of the job itself.
- Admission to professional positions in the public service should be restricted to those who have successfully passed entrance examinations administered by the National School of Government. Promotions should be linked to passing grade examinations. There should, that is, be no movement between grades in the public service without having passed an appropriate test of proficiency associated with that level.

# Policy Coherence

**What is sometimes described as ‘policy incoherence’ refers to the failure of government to operate as a single unit in confronting multiple, inter-related problems (Christopher Hood, The Idea of Joined Up Government).**

In the 1990s it became fashionable to discuss this as the problem of ‘joined-up’ government. This challenge relates to incentivising discrete and autonomous organisations, sometimes at different levels of government, to work together. In South Africa, this problem of coordination was made even more difficult by the unravelling of the cabinet system during the presidency of Jacob Zuma.

Traditionally, a key site of coordination in government is the cabinet. President Mbeki operated a well organised cabinet system that gave the cabinet secretariat an important

role in preparing the agenda and assembling departmental documents in accordance with the agenda. Cabinet ministers were expected to have read all documents and to come to meetings prepared to engage on the details of departmental plans. The breakdown of this system deprived government of a key coordination mechanism. It seems that after Zuma the cabinet system was not restored by President Ramaphosa, which goes some way to explain why regulations related to dealing with the Covid-19 health emergency were sometimes contradictory, and why the

President did not seem to know the details of some of them. It also goes a long way to explain why some Ministers are able to act independently of the rest of government.

**We propose that the cabinet system be restored immediately with powers granted to the cabinet secretariat to compel departments to comply with its protocols.**

# Monitoring and Evaluation

**Though there is a government department charged with Monitoring and Evaluation, the cabinet itself is without an independent source of information on the performance of departments.**

DPME reports to a minister who is one amongst equals in cabinet meetings. The department has thus been accused of deliberating moderating the critical tone of its reports so as not to create controversy (see Booysen, p. 315).

More importantly, DPME reviews of departmental performance relied traditionally on self-assessments by departmental officials, moderated to some extent. The MPAT tool, as it was called, has largely been phased out but has not been replaced with anything else. The result is that the executive does not have

robust, independent information about the performance and capacity of departments for evidence-based planning, beyond what senior officials and the minister report. Ministers and departmental staff are not necessarily the best sources of information, mainly because they have a vested interest in putting a gloss on the real situation.

Institutionalised capacity to conduct ongoing and comparative reviews of government departments is therefore urgently needed. This should be structurally independent, and the statutory body concerned should report

directly to the cabinet secretary and to parliament. What is more, there is an opportunity to draw on the expertise in South African universities and research organisations to support this body which should have the authority to access departmental documents and interview relevant staff. New technologies that use Big Data techniques to monitor and predict government performance are available and should be utilized (see Chipkin and Vidojevic, 2020).

# Models of Government

**We have discussed the influence of ‘public management’ in the design of the post-apartheid public service. New Public Management not only sought the transformation of bureaucrats into private sector-like managers. It also emphasised a range of governmental techniques declared to improve efficiency.**

Central amongst these was outsourcing. Outsourcing is not the same as privatisation, though it has some resemblance. The idea is to bypass ideological debates about whether government or the private sector is best placed to deliver this or that service. Departments, in this hypothesis, would largely focus on policy and strategy, outsourcing implementation to whoever was best able to do it.

In South Africa, the outsourcing model was embraced with enthusiasm, not only by public management scholars. Many saw it as the royal road to Black Economic Empowerment, especially in the context of a still highly centralized economy dominated by largely white owned and controlled companies. Outsourcing through public procurement of goods and services was deemed a way of improving

government efficiency whilst also transforming the economy. It was embraced at all levels of government.

This model of using public procurement to develop Black-owned businesses was similar to how Afrikaner nationalists had created ‘volkskapitalisme’. The difference in the post-apartheid context is that outsourcing happened in a highly decentralized government system, where in the name of public management decisions about what departments needed had been devolved to local politicians and officials. Whereas public procurement in the apartheid days was centralised in and through a State Tender Board at national level and four provincial tender boards, the new Supply Chain Management system envisaged more than a thousand procurement committees for contracts with a value over half a million rand.

In effect, though, decentralized procurement has given rise to tens of thousands of sites across government where officials and politicians make decisions about what needs to be procured and to whom tenders should be awarded. In the absence of appropriate oversight, the system has been heavily abused. As discussed above, state capture in South Africa happened when large procurement contracts were captured by political and business elites.

The system urgently needs reform. The NT has responded with the instruments at its disposal, largely in the form of regulations. This has increased the burden of regulatory compliance on departments, sometimes unsustainably. There are, for example, already 23 statutes in place that contain rules on procurement (Quinot, p.3).

## **“There is significant overlap, duplication and even tension between all these various instruments,”**

writes the leading legal scholar on procurement in South Africa, Geo Quinot (Ibid, p.3).

The NT also introduced the Office of the Chief Procurement Officer to bring some transparency at the centre of the system and to begin to set pricing norms and standards. The Public Procurement Bill that was recently published by the NT proposes converting this office into a Public Procurement Regulator, with powers to create procurement rules and prescripts. Given the proliferation of existing rules it is not clear that such powers will help reduce the lack of clarity that exists now. In addition, the Bill says hardly anything about municipal procurement. Even more serious is the issue of the independence of the office. Given the amount of money that passes through the procurement system and South Africa’s recent experience of state capture, insulation of this office from political interference is paramount. Yet as a mere office in the NT it is not clear that the draft bill affords the Regulator such independence (see PARI: 2020).

We propose a single, unified public procurement statute that establishes a national procurement regulator. This would a) set evidence-based

norms and standards for pricing, b) be authorised to review any procurement contract and set it aside if is found to be in violation of the statute and c) make details of all tenders publicly available. The new regulator would not recentralise the existing system. Instead, we propose reforming the current decentralised structure by marrying two principles: giving managers the flexibility and discretion to procure the goods and services they need, while ensuring the integrity of the process. In this regard, we propose a) that departmental managers be given flexibility in procurement choices provided that their decisions can be reasonably justified, in writing, b) the establishment of a statutory body for training and registration of procurement officers, c) that supply chain management officers need to be registered with this body to work as procurement officers in the public service or in municipalities, d) that this statutory body may deregister any member for unprofessional conduct and d) that procurement officers must not be at a grade less than director or its municipal equivalent.

# Sectoral Challenges

As discussed above, the economic recovery plans currently on the table have much in common about what needs to be done. In particular, they point to the need to:

- Expedite digital migration,
- Invest in infrastructure, especially social infrastructure, the ports, roads and rail,
- Resolve the crisis in the generation of electricity,
- Encourage industrial development through localisation of manufacturing.



# What will it take to implement them?

**A key ingredient to successful economic plans in the context of the fourth industrial revolution is information and communication technology.**

Developments in this area depend on successful investment in information and technology infrastructure and digital transformation. South Africa's policy goals for digital transformation are outlined in the NDP and the National Integrated ICT White Paper (2014) which reinforces a range of interrelated information and communications technology ICT strategies such as SA Connect, the national broadband policy, the national cyber-security policy and the national information society and development plan – all under the custodianship of the Department of Telecommunications and Postal Services. The White Paper outlines a wide range of approaches and interventions to facilitate inclusive digital transformation, notably interventions to reinforce fair competition, policies to ensure affordable access to ICT for all, approaches to address supply side constraints (i.e.

spectrum) and infrastructure roll out (fibre) and measures to reposition postal services as a key driver of inclusive digital reform. Both the NDP and the White Paper set a number of time bound ICT related goals for government such as 100% broadband penetration by 2020 and full transition to e-government by 2030. ICT policies that predate the National Integrated ICT White Paper set a 2011 deadline for digital migration, but this has since been revised to 2021 – five years behind the deadline set by the International Telecommunications Union. Digital migration is crucial for freeing the broadband space needed to improve connectivity and market transformation. Latest indications are that even the 2021 digital migration target will not be achieved. Why?

There has been chronic instability in the enabling institutions and wrong assumptions about state capacity to implement or

oversee reforms. Before the National Integrated ICT White Paper, the country's ICT agenda was driven by a plethora of sub-policies which made it difficult to pinpoint a single custodian of policy and for administrators to develop a programme of action towards a common goal. There have been no less than five ministers in charge of the ICT department since 2009, the department – including the separation of the department into postal services and communications and subsequent merger in 2019. The instability at government level is often reflected in institutions that are central to digital transformation such as the SABC, Post Office and the regulator, ICASA. These institutions have each seen at least three boards appointed within a short space of time and they have been marred by allegations of poor governance and corruption. With its rapid turnover of CEOs and other top executives it is clear that

the effectiveness of the SABC has been heavily compromised by these constant changes.

The assumption that persuasive plans and deadlines will translate into programme implementation is flawed. Instability and poor governance in key institutions compromise the capacity of the state to deliver on its plans.

The OECD Economic Surveys: South Africa (July 2020) indicates that the country has highly restrictive regulations in markets and services compared to other countries. These regulations include high levels of government intervention in the economy and barriers to entry for foreign and domestic players. These regulatory restrictions are particularly onerous in network industries. The sector is characterized by a few big players and therefore the level of competition is very low.

Policy incoherence is usually a symptom of organizational instability, as new ministers and new boards try to put their own stamp on developments, only to be replaced by others that do the same, usually in a different direction. The solution, therefore, to policy incoherence is counterintuitive. It rests not so much on better coordination between different departments and stakeholders than in leaving people in their positions, even when there are doubts about

their competence, under two conditions: 1) they are brought under strict public and political scrutiny. Here an independent media is a great asset, as is an empowered and resourced civil society, and 2) ministers give political leadership and do not interfere inappropriately in operational matters.

A second area of commonality in the economic models discussed above is the emphasis on infrastructure spending. As a state South Africa has a bad track record in rolling out infrastructure. However, a combined state and private sector effort in the construction of facilities for the FIFA 2010 Soccer World Cup demonstrated how leveraging private sector skills could result in improved and better delivery. Even so, that experience also demonstrated that capacity to manage such projects is quite critical especially from a cost point of view. Both the Gautrain and the Soccer World Cup projects resulted in massive cost overruns part of which ended up being matters for investigation by the competition authorities. The cost overruns were predicated on collusive behavior by the big construction companies and by failures of project management in some municipalities.

A further area of concern around infrastructure as a driver for industrialisation and economic growth in South

Africa is that the capacity of the state to absorb the funds has historically not been impressive. This is witnessed by the underspending that has been a perennial difficulty, especially in municipalities. During the period following the global financial crisis of 2007, the country allocated massive amounts of money for infrastructure investment, but the spending was so slow that when the crisis fully hit South Africa, some of the funding had to be reallocated.

The Municipal Infrastructure Support Agency, for example, was set up to assist municipalities improve on their infrastructure programmes. The Fiscal and Financial Commission (FFC) found that the very substantial increase in funding to municipalities between 2001 and 2011, especially for water, sanitation, electricity and sanitation infrastructure, made little difference in reducing backlogs in these areas. It stated bemusedly in 2014 that "given the scale of funding increases yet persistent backlogs, questions have been raised over the efficiency with which infrastructure grants to municipalities are used to achieve such backlog eradication" (FFC, 7). The South African Local Government Association (SALGA) disputes claims that municipalities are adequately funded, claiming that "financial allocations to municipalities fall far short of

enabling them to respond to service delivery needs" (SALGA, p.11). The FFC, says SALGA, does not take into account the dramatic increase in the number of households between 2001 and 2011. It is not obvious, however, that the allocation of more money would solve the infrastructure challenges in water, roads, sanitation and electricity distribution. SALGA explains why.

SALGA discusses the acute institutional problems, many of them political, facing the majority of municipalities. The failure to distinguish between political and administrative roles has created confusion about the respective functions of councillors and local government officials. This has also created tensions between mayors and municipal managers. Severe fragmentation in the ruling party often cripples decision-making in councils, turning councillors even from the same party against each other, and provoking conflicts between council speakers and mayors. In some places, municipalities are run by weak and unstable coalitions (Ibid, pp. 21-24).

It is unlikely that these problems can be resolved in the short term. In a few of the larger metros, however, instability and conflict are less acute than the

general pattern. Johannesburg and Cape Town might be well placed to absorb infrastructural grants and act on them, though Nelson Mandela Bay, Buffalo City, Tshwane and Mangaung are not. Auditor General reports suggest that, as a rule, Western Cape municipalities have comparatively well-functioning administrations and are therefore better placed to act as agents of infrastructure development. Typically, however, those areas with the most acute development challenges are not situated in their jurisdictions. The weakness and instability of the majority of municipalities place severe limits on the various DDMs which many in government currently look to as the route to effective implementation. A proper assessment of institutional conditions is therefore needed as part of the planning process. In this environment, special purpose vehicles, including private sector management, might be best placed to realise pressing infrastructural projects in the here and now.

What about the SOEs?

According to the South African government there are 131 SOEs in the country (<https://www.gov.za/about-government/contact-directory/soe-s>), though others put the figure closer to 700 (see [https://en.wikipedia.org/wiki/State-owned\\_](https://en.wikipedia.org/wiki/State-owned_)

[enterprises\\_of\\_South\\_Africa](#)). The Department of Public Enterprises is the representative of government as shareholder in the seven major ones, though it is not necessarily the department to which these entities - Eskom, Transnet, SAA, SA Express, Safcol (the state forestry company), Alexkor (state diamond mining company) – account.

Eskom and Transnet feature prominently in all the economic recovery plans. Both were at the heart of state capture in South Africa, which occurred precisely when the Jacob Zuma administration wanted to use them as vehicles for infrastructure development and economic transformation. What made them susceptible to criminal repurposing was that they are subject to complex, overlapping and ambiguous authorities. During the Jacob Zuma period, for example, the President insisted on the right to appoint the Transnet CEO, even though this is ostensibly the responsibility of the board. Furthermore, what is role of the Minister of Public Enterprises? According to Barbara Hogan in her testimony before the SCC, the corporate governance framework does not allow the shareholder (the Minister of Public Enterprises) to intervene in the relationship between the board and management (Hogan,

p.,31). As long as the corporate governance framework is not simplified, allocating clear and appropriate responsibilities to different parties, Eskom and Transnet, like all other SOEs, remain susceptible to instability if not criminalisation.

Eskom and Transnet emerged from the period of state capture in very different states. In Eskom, the repurposing of the institution went much further than at Transnet, resulting in the hollowing out of much technical capacity and senior management expertise in the organisation. This is especially acute in the power stations, where experienced and capable management teams were expelled. It is also acutely visible in the massive cost over-runs and delays in building the Medupi and Kusile power stations, which 13 years later after commencement are still not fully in service. It is unlikely that Eskom is in a position to play a role in infrastructure development currently. Transnet is in a better position, because state capture seems to have primarily affected senior management and not core operational staff.

The reform of Eskom is part of the solution to South Africa's economic crisis. Current proposals are to break the company up. Will this solve the energy crisis in SA? At the same time Eskom must continue to generate electricity now. Who must decide what takes priority?

There is a new CEO and senior management. It is experienced, qualified and not obviously linked to any political party. It is also largely white and Afrikaans-speaking, which means it has very little political capital. It has inherited a company on the brink of disaster. Eskom is effectively bankrupt. Many of its power stations are close to 50 years old and have been unevenly and poorly maintained over the last decade. Many are on the verge of collapse. In the short

term they need to be taken offline for skilled repair and maintenance. In the medium-term they need to be retired. This will result in load-shedding. At the same time the company is riddled with factionalism and political intrigue. It was allowed during the 2000s to grow to over 150 000 staff, many without a clear role. Senior staff aided and abetted the fraud and corruption of the state capture years. It has been saddled with unaffordable coal contracts.

As discussed above, Eskom management is accountable to the Eskom board, which is appointed by the shareholder: government as represented by the Department of Public Enterprises. The President has also established an Eskom Sustainability Task Team. High on their agenda is the break-up of Eskom into three separate entities, responsible for generation, transmission and distribution. Ultimately, unbundling may be what is needed to bring stability to electricity supply in South Africa. For the moment, though, stabilisation and unbundling are different mandates. Which should take precedence in the current situation and who should decide?

Very difficult decisions are unavoidable, ones that will have painful costs for key stakeholders, whether superfluous Eskom staff facing redundancy, politically connected coal suppliers whose contracts are renegotiated, corrupt networks, or nationalists opposed to non-racial recruitment practices. Stabilising South Africa's electricity supply in the current context requires insulating Eskom management from inappropriate political interference and protecting it from the political storms that will inevitably follow from whatever decisions they make.

# Conclusion

**This report has reviewed the economic plans currently in circulation in South Africa.**

It has considered the African National Congress's 'Reconstruction, Growth and Transformation: Building a New, Inclusive Economy', the Gauteng Department of Economic Development's 'Covid-19 and Outlooks for South Africa's Growth and Development 2020-2030', B4SA's 'A New Inclusive Economic Future for South Africa: Delivering an Accelerated Economic Recovery Strategy' and NT's 2019 'Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa'.

We have seen that the proposals discussed above have much in common in terms of what needs to be done. Where they differ is in how to do it. This report argues that most of the policy documents under consideration make unreasonable assumptions about the institutions

in question. Either they make naïve assumptions about the private sector in South Africa or they have unreasonable expectations of government departments, agencies and corporations.

The report argues, therefore, that in the current situation the most pressing economic challenge is that of government reform. A market driven recovery requires greater regulatory capacity in the state. A state-driven recovery requires a serious investment in building and professionalising government institutions. The report lays out a general agenda for reform.

# We can summarise its findings as:



## **Quickly & accurately**

review the capacity of the relevant departments, agencies and companies.



## **Design plans better**

so that the state of the organisations that must implement them are considered in the planning process.



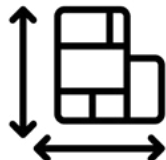
## **Simplify mandates**

so that they are clear and the respective roles of all parties are unambiguous.



## **Plans need to be modest.**

In the current situation where departments and agencies across government are extremely weak and, in some cases, exist in name only, it is unrealistic to expect too much from them.



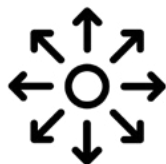
## **Plans have to be adjusted geographically.**

Departments and agencies better able to work programmatically tend to be located in the large urban centres and/or are situated at national level.



## **In areas where government capacity is lacking alternative arrangements need to be made,**

including drawing on the skills of the private sector and/or well-established NGOs.



## **Civil society organisations need to become active**

and vigilant at the level of departments and agencies and companies, holding them to account but also giving support to progressive, professional networks that are trying to work programmatically.

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# Appendix:

# The State Capture Commission

The Commission's Terms of Reference (ToRs) distinguish between 'corruption' and 'state capture', though the latter term is never explicitly defined. Its meaning is further complicated by the fact that the ToRs refer to particular events or relationships and to very broad ones. So, for example, the Commission must determine whether Mcebisi Jonas or Vytjie Mentor were offered cabinet positions by the Guptas, or whether the Guptas received notice of cabinet appointments before they were formally announced. It must also determine the nature and extent of corruption in government, especially in relation to procurement.

A narrow definition of 'state capture' might consider it present when incidents of impropriety or illegality are proven. This was the approach of the Public Protector in 2016. In the 'State of Capture' report, state capture was defined in relation to specific circumstances concerning 1) then President Zuma and his family and 2) the Gupta family. Hence the Public Protector

investigated, inter alia, whether then President Zuma improperly and in violation of the Executive Ethics Code allowed the Gupta family and his son to decide on the removal and appointment of the Minister of Finance in December 2015; whether he allowed members of the Gupta family and his son to be involved in the process of removing and appointing Cabinet members and so on. Likewise, the Public Protector investigated whether the Gupta family and Zuma's son received state contracts unlawfully or improperly. The crux of the matter was whether the President had improperly used his position to enrich himself, his son or the Gupta family. Therein lay the definition of state capture which was said to exist to the extent that a sitting President used his official position to benefit himself, his friends and/or his family.

Theoretically, state capture, on this definition, was a form of corruption. It entailed the abuse of public office for private gain. It however warranted a special name, state capture, because the implication of the

President himself in corruption was especially egregious. Hence state capture referred to a particularly serious form of corruption. The ToRs for the SCC, however, are not defined so simply. While they include the same instances of improper conduct, the terms of the investigation are much wider. That is, specific cases are sometimes treated as examples of a broader set of behaviours. So, for example, allegations that advisors to Minister Des van Rooyen were appointed irregularly is framed as a question of whether any advisors in the Ministry of Finance were appointed without proper procedures. State capture exists not simply to the extent that so and so was appointed improperly to the NT but to the extent that their appointment was an instance of a wider trend.

If one proceeds on such a basis, then the ToRs define state capture in relation to two broad categories. The first concerns violations of the Constitution, of the law and of ethical standards in relation to the award of contracts in SOEs and in

government departments. The second category includes attempts to interfere in the political process by unduly influencing the appointment of ministers and/or of distracting politicians from their official responsibilities so as to involve them in the private matters of individuals. If one reads these two categories of behaviour together then it is possible to define state capture as undue influence by private persons (businessmen/the Guptas) in the appointment of ministers and state functionaries with the purpose of benefitting from state tenders.

One of the major differences between the Public Protector's ToRs and those of the Commission, however, lies in their respective attitude to motives, especially the motives of the President and other senior politicians and officials. For the Public Protector, the President abused his public office for his own private gain, for that of his family and for his friends. This supposition is not clearly stated in the Commission's ToRs, though it may be implied.

This difference is not negligible. It speaks to a theoretical and ultimately legal paradox. It is not clear according to the Commission's ToRs what the motives of the President, other senior politicians and officials are. In other words, a

doubt is introduced about whether they acted simply out of self-interest. The burden of proof is lower. The commission need only find that President Zuma, other senior politicians and officials facilitated Gupta malfeasance to satisfy the definition of state capture. It no longer needs to prove his motives. Yet if the legal proof is lower the political proof is higher.

At stake is the motive of the President and others from the National Executive. If they sought to enrich themselves, then state capture is merely serious corruption. In the Betrayal of the Promise report (PARI, 2017), however, other motives were suggested. The centrepiece of the report's argument was that the political support for the 'repurposing' of SOEs came from the belief that it created the conditions for radical economic transformation. In other words, the motive was political. On these terms, state capture is present when the President and senior politicians violate the Constitution, the law and ethical standards in the service of a political project which they believe unrealisable in the existing constitutional/legal framework.