



# **Bua Komanisi**

**Volume 14 No. 4, June 2022**

**DISMANTLE THE  
NETWORKS OF STATE  
CAPTURE AND CLAMP  
DOWN ON CORRUPTION  
AND CRIMINALITY**

**SACP submission to the Commission  
of Inquiry into State Capture**



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# INTRODUCTION TO BUA KOMANISI

In this Volume of Bua Komanisi, Volume 14 Number 4, June 2022, we carry the SACP's submission to the Commission of Inquiry into State Capture. This follows the handover of the last parts of the commission's report, Part V and Part VI, to President Cyril Ramaphosa by the Chief Justice, Raymond Zondo, the judge who led the commission. The volume also carries selected edited SACP statements and excerpts calling for and mobilising for the establishment of the commission long before all else, including long before the former Public Protector, Adv. Thuli Madonsela, prescribed the establishment of the commission as a remedial action in her report released at the end of 2016.

Many political organisations, commentators and, of course, those who were complicit or involved in and who benefitted from state capture rejected the call first made by the SACP for the establishment of the commission. Others agreed to march in the vanguard only after the Public Protector prescribed the establishment of the commission as a remedial action. What happened? The Public Protector introduced the provision that the former Chief Justice, Mogoeng Mogoeng, be the one to select the judge for the former President, Jacob Zuma, to appoint to head the commission. The former President was implicated, hence the provision.

In view of the necessity for a comprehensive response aimed at ensuring that state capture does not rear its ugly head again, in welcoming the release of the commission's report, starting with Party I, the SACP stressed that every person should study the entire text of the report once the commission completed all its parts and handed them over to President Ramaphosa for action. The SACP said it will itself study the entire text of the commission's report, its findings, recommendations, and orientation, to produce its own comprehensive response.

In saying so, the Party emphasised the imperative to hold accountable to the full extent of the law all those who were involved or complicit in state capture, not only in the public sector and not only the domestic players but also in the private sector and foreign controlled transnational corporations. The SACP underlined that holding those who were involved or complicit in acts of state capture accountable must include asset forfeiture, the seizure of the ill-gotten wealth or assets that they acquired from the corruption, and maximum prison sentences.

In the process, said the Party, pushing ongoing societal mobilisation, with the working class developing a leading role, and deepening and intensifying the widest possible patriotic and popular left front mobilisation, remains as critical as ever, to fight corruption and criminality and totally dismantle the networks of state capture and its patronage. The SACP 15th National Congress is therefore called upon to reflect deeper and enhance this programmatic direction.

It is important to note that the SACP's submission to the commission published in this volume of *Bua Komanisi* does not represent the totality of the Party's contribution to and support for the commission. The contribution made by the SACP to and the Party's support for the commission—working in vanguard ways—goes far beyond this meagre volume of *Bua Komanisi*. For example, Yunus Carrim, a member of the SACP Central Committee, presented his testimony to the commission based on his struggles against state capture in his capacity as the former Minister of Communications. Also, there are other investigative reports produced by relevant authorities after the SACP's complaints against abuse of state organs, including the abuse of the Directorate for Priority Crime Investigation (the Hawks) authority and intelligence services, which included rogue intelligence. The SACP also played a key role through mass mobilisation to support the work of the commission.

South African Communist Party

Submission to the Judicial Commission of Inquiry into Allegations  
of State Capture

22 June 2021

# SACP SUBMISSION TO THE JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE

## AFFIDAVIT

I, the undersigned, Bonginkosi Emmanuel “Blade” Nzimande, do hereby state that:

I am an adult male serving as General Secretary of the South African Communist Party on whose behalf I make this submission.

I affirm that this submission is made in good faith.

## 1. Introduction

1.1. The South African Communist Party was the first public voice, as far as we are aware, to call for a judicial commission of inquiry into state capture<sup>1</sup>. We made the call in March 2016 as a result of growing concern over the burgeoning impact of what had become known as “state capture”, the threat it posed to our constitutional democracy, and the apparent inability or unwillingness of the appropriate investigative and prosecutorial authorities to act decisively.

1.2. The objective of this SACP submission to the Commission is to reflect on policy and institutional choices and practices that we believe have directly, if unintentionally, contributed to enabling the state capture reality in South Africa. In particular, we will focus on three interacting policies that

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<sup>1</sup> <http://www.capetalk.co.za/articles/12021/sacp-calls-for-judicial-commission-into-state-capture-by-guptas-and-others>, 7 March 2016; <https://www.sacp.org.za/content/sacp-congratulates-deputy-minister-finance-cde-mcebisi-jonas-affirming-values-revolutionary>; 16 March 2016; <https://www.sacp.org.za/content/sacp-wants-judicial-commission-enquiry-gupta-influence-government>, 17 March 2016. (We sometimes referred to the phenomenon as “corporate capture of the state”, to underline that it was not just a loose collection of individuals.)

were driven from the 1990s – the adoption of a version of the New Public Management model; a particularly narrow version of Black Economic Empowerment; and what was termed Cadre Deployment.

- 1.3. Individually these policies, programmes and their resulting practices and institutional impacts did not make state capture inevitable. However, together in their interaction and especially in the particular socio-economic context of post-apartheid South Africa, characterised by extreme levels of poverty, inequality and unemployment, they have contributed systemically, as causal drivers, to the extensive and problematic hold that state capture acquired.
- 1.4. This submission is based on the collective experience of the SACP over the past two and a half decades. The SACP is not represented directly in Parliament or in the executive. However, as part of the ANC-led alliance, and in the context of dual membership, many SACP members have served and/or continue to serve in legislatures and executives by virtue of their ANC membership. Many of the problematic policy, institutional and other realities examined in this submission have been the subject of fairly intense debate and often ongoing critique within the SACP and with our partners over several years. The intention of this submission is not to evade collective responsibility or to adopt an annoying “we told you so” stance. The evidence led before this Commission should be a spur to engage in collective self-reflection for all of us within the ANC-led alliance, including the SACP. We hope this submission will be of some value to the Commission in its efforts to clearly define the main features of the problem and its scope, analyse its primary causes and make recommendations on actions which are necessary and sufficient to address these causes.

## 2. What is the problem we are seeking to address?

- 2.1. The terms of reference of this Commission understandably (and correctly) are often explicit in referencing the Gupta-Zuma axis, but these terms of reference also require a more general inquiry into, investigation of, and recommendations regarding state capture, corruption and fraud within the state and between state functionaries and private individuals, families, and private corporations. We submit, therefore, that the wider, more systemic areas upon which we focus for consideration in this submission are very much within the Commission's terms of reference. We need to factor this broader phenomenon into our understanding of the problem, the key drivers and enablers of the problem and the actions necessary to address root causes.
- 2.2. The Gupta network involving a single family and a state president together with their respective networks is the most egregious form of state capture in South Africa. But what made this kind of state capture possible in the first place? What are the systemic factors that enabled it and how are they causally related? An explanation which assumes that this is simply deviant behaviour of individuals or a network of individuals inside and outside of the state is obviously unsatisfactory.
- 2.3. Although the Gupta networks constitute the most egregious expression of the misappropriation of public resources for private benefit through the subversion of systems and the capture of institutions, the systemic and indeed endemic nature of state capture in South Africa is more than about Gupta networks both across time and location. We are not dealing with a single network or a single political project.
- 2.4. State capture, or at the very least many of its foundations,

features and the key vectors behind it, preceded the Zuma presidency and have continued beyond his stepping down and the flight of the Gupta family overseas. State capture, in the sense of the systematic and institutionalised subordination of the public interest to private interests is also not confined to the national sphere of government, with state capture features often in evidence in the provincial and local spheres<sup>2</sup>. Indeed, we believe that much of the early momentum for state capture came from within certain provinces.

2.5. Since the term “state capture” is disputed, it is worth briefly, first considering the term’s uses and abuses.

### **3. What do we mean by state capture in the South African context?**

3.1. **“There is no such thing as state capture”**. Some have dismissed entirely the notion of state capture. Former President Jacob Zuma has repeated this view several times<sup>3</sup>. While there might be more precise terms to describe the reality broadly designated by “state capture” in our context, it is a term that has gained currency and entered general usage. Used as an effective working concept, the idea of state capture helps to point to a serious nexus of converging realities within our body politic.

### **3.2. “The state is always captured – so what’s all the fuss**

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<sup>2</sup> The many possible references include, notably Crispian Olver, *How to Steal a City: The Battle for Nelson Mandela Bay*, Jonathan Ball, 2017; and the Public Protector’s *On the Point of Tenders*, Report No:10 of 2012/3 dealing with tender corruption in the Limpopo Department of Roads and Transport.

<sup>3</sup> “One of the things they will have to clarify, what is state capture? They can’t just make it sound so important and so big (...) and I am sure the judicial commission of inquiry, it is one of the issues they will have to clarify. It is all fake political, just painting a particular family and few individuals.” (Zuma, ANN7 interview, 13 November 2017). See also: “Where is state capture? (...) The judiciary is not captured. Is it captured? Is parliament captured? Is the executive captured? So where is state capture?” (Zuma, eNCA live broadcast from Walter Sisulu University, 12 September 2018); and “There is no state capture in South Africa, there are people who did things to others, but there is no such thing called state capture. Let us not swallow everything that is given to us (...) state capture is a political decorated phrase which had its intentions.” (The Citizen, 13 September 2018).

**about?”** - This is another dismissive approach to the idea of state capture and, therefore, to the work of this Commission.

3.3. The SACP perhaps has a special responsibility to engage publicly with this view, since the argument often presents itself as a “Marxist” perspective. The “state is always captured”, seemingly the opposite of the denialist approach in 3.1 above, in practice, often serves to complement it.

3.4. This is not to deny that those with economic class power have considerable, indeed a dominant, and in our view problematic influence over the state, in ways that subordinate the public interest to the private interests of powerful sectors and corporations, often in ways that are considered generally legitimate and within the bounds of the law in a liberal democracy. In the words of the academic Robert McChesney reflecting on politics in the United States: *“Corruption in Congress and across the government today is only rarely of the traditional bribery kind. It is instead a far more structural dependence upon corporate money built into the DNA of the political system – traditional pay-offs are not necessary.”*<sup>4</sup> This kind of influence, albeit “legal”, is deeply problematic, not least in a society like South Africa in which there are great extremes of income and wealth inequality, marked by class, racialised and gendered factors.

3.5. Apart from a more general hegemonic dominance, the more direct ways in which this kind of economic class power is wielded include a revolving door between political office and the private corporate world; dependencies on corporate political party funding; aggressive business lobbying;

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<sup>4</sup> McChesney, “This isn’t what corruption looks like”, Monthly Review, 1 November 2012

and private ownership of major media houses, however regulated all of these might be<sup>5</sup>. How best to ameliorate the negative impact of these realities through regulation (mandatory cooling off periods after retiring from political office; political party funding regulations; declarations of interest; life-style audits, etc.) are all important issues. They are not, however, the particular focus of this submission.

- 3.6. Of course, this kind of economic class domination might also, loosely, be described as “state capture”. The problem arises when this kind of class domination is equated with what is being referred to as state capture in our current reality. Apart from its excessive over-simplification, the problem with the “state is always captured” perspective, and specifically in the way that it is advanced in the current South African context, is that it either results in a resigned passivity, or it explicitly (or implicitly) seeks to legitimise the looting of public resources through a parasitic capture of public institutions and assets. It fails to recognise the specificity and extent of the subversion of the public interest that has taken root in South Africa and its impact on not only deepening poverty and inequality but in undermining possibilities for addressing them. It is the poor who have overwhelmingly had to bear the brunt of the impact of state capture.
- 3.7. The “state is always captured” is typically hitched to an argument that what is happening in South Africa is a contest between established, so-called “white monopoly capital” and their “surrogates” who are said to be the incumbent capturers of the state, on the one hand, and a supposed emergent and singular “black capitalist class”,

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<sup>5</sup> According to McChesney (ibid.), around half of all retiring US Congress members, for instance, return to the institution as lobbyists for major corporations. Following the bail-out of US banks with public money, former IMF economist Simon Johnson referred to a “quiet coup”, noting the “easy access of leading financiers to the highest US government officials and the interweaving of the two career tracks.” Johnson referred specifically to the revolving door between public office and major financial institutions. US senator Richard Durbin recently said of the banks’ influence on the US Senate, “frankly they own the place” (Simon Johnson, “The Quiet Coup”, Atlantic, May 2009 (<http://theatlantic.com>)).

on the other. This leads to the accusation that the way in which the current focus on state capture is shaped (and therefore the work of this Commission) is one-sidedly and unfairly focused on the latter's "legitimate" aspirations to "de-racialise" economic ownership and wealth in our country<sup>6</sup>. The focus of the Commission is then alleged to be furthering the interests of "white monopoly capital" and limiting the access of black entrepreneurs to the influence and power that the historical incumbents have enjoyed for so long.

3.8. While there are real issues related to the continued dominance of white interests in business, we submit that this line of argument is a transparent attempt to provide ideological cover for the actual state capture looting that has been underway, in which the principal victims are the majority of South Africans, especially black South Africans. State capture has weakened the democratic sovereignty of our country; corroded the capacity of the state and strategic state-owned enterprises to drive reconstruction and development; factionalised much of the political party space around a pursuit of tender opportunities rather than policy discussion and debate; and deepened class, racialised, gendered and geographical inequalities.

3.9. In subsequent sections of this submission we will consider why, nonetheless, the attempt to portray state capture as somehow "progressive", "radical", "liberatory", even "patriotic" has some resonance beyond just the immediate beneficiaries of state capture who, understandably, might want to portray their wrong-doing in such a light. We will suggest that earlier policy choices, however well-intentioned, and particularly the development and ideological framing

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<sup>6</sup> "White monopoly capitalists are fighting to prevent the 'capture' of their state control of the ruling party leadership. Only in this way does the term 'state capture' make sense – white monopoly capital is preventing the 'capture' of its state!", Chris Malikane, "Concerning the current situation", [khanyajournal.org.za/wp-content/uploads/2017/05](http://khanyajournal.org.za/wp-content/uploads/2017/05)

of Black Economic Empowerment policy and practice, have been a factor in eroding the values and practices of public service and equity and legitimising private benefit from public resources.

3.10. The World Bank's approach to state capture - The term "state capture" was given international currency in recent times by the World Bank's 2000 publication *Anticorruption in Transition*<sup>7</sup>. It was based on research done on the former COMECON East and Central European states by the European Bank for Reconstruction and Development (EBRD)<sup>8</sup>.

3.11. The focus of the World Bank's concern was why the transition to "market economies" and "liberal democracies" in these countries after 1990 did not yield the positive economic and social outcomes that the Bank had anticipated. For the purposes of this submission we will not enter into a critique of the World Bank's original assumptions or its promotion of what it calls "market economies". However, it is important to note that the Bank's definition of "state capture" is narrow (essentially describing it as a form of regulatory capture). While regulatory capture has certainly been one of the features of state capture in South Africa, the general way in which the term "state capture" is used in South Africa, and how we seek to deploy the term in this submission, is much wider than the Bank's.

3.12. However, what is suggestive for our purposes is the World Bank's location of the state capture phenomenon in "transitional societies". The context and nature of the East and Central European transitions occurring in the 1990s, and to which the World Bank was referring, were

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<sup>7</sup> World Bank, *Anticorruption in Transition*. A contribution to the policy debate, 2000, Washington DC

<sup>8</sup> European Bank for Reconstruction and Development, *EBRD Transition Report 1999*.

considerably different in context and character to the democratic transition occurring at much the same time in South Africa. Nevertheless, the transitional character of the South African reality, with its inevitable interplay and clash of old legacies and new aspirations, of incumbent and emerging political and economic elites, is key to understanding the character of state capture here in South Africa.

3.13. In the context of transitions, the World Bank and others from the 1980s promoted a range of “plug and play”, “good governance” policy and institutional measures that were supposedly universally appropriate, essential policies to be adopted by societies like South Africa and those in Central and Eastern Europe involved in an assumed and singular global “third wave of democratisation”. Some of these were problematically embraced after 1994 in South Africa, particularly under the aegis of the so-called New Public Management model.

#### **4. A South African variant of the New Public Management approach – the wholesale borrowing of a corrosive “solution” for public sector problems we did not have.**

4.1. Unlike the other two vectors (BEE and cadre deployment) explored later in this submission as contributing factors to state capture, public service reform in post-apartheid South Africa has received little attention<sup>9</sup>. Yet, we believe that a consideration of post-apartheid public sector reform is an important key to understanding factors that have made state capture possible and to identifying changes necessary to address it.

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<sup>9</sup> For useful interventions specific to South Africa see, however, Chipkin, I and Meny-Gilbert, S, *Why the Past Matters: Histories of the Public Service in South Africa*, Public Affairs Research Institute (PARI), Short Essay, May 2011; and Chipkin, I, *Design flaws in CIPRO: Ambivalence in the New Public Management in South Africa*, PARI, Short Essay, May 2011

- 4.2. In the mid-1990s New Public Management (NPM) was touted in South Africa, particularly by a range of foreign consultants, as the new gold standard for public service reform and the definition of what constituted good management and governance practice.
- 4.3. The NPM model was originally developed in policy think-tanks and academic circles in the 1970s. It gained greater practical application in the 1980s in developed Anglo-phone societies with perceived public administration challenges associated with what was portrayed as excessively rule-bound welfare bureaucracies – Australia, New Zealand and, to some extent, the UK. The NPM paradigm contrasted its approach of “lean and nimble” organisation and “value for money” with the former normative “Weberian” models of public administration which were held to be excessively bloated, bureaucratic and hierarchical.
- 4.4. It is important to note that the problem (real or otherwise) for which the NPM model was advanced as an answer, did not remotely apply to the post-apartheid South African reality. The public administration and broader socio-economic challenges that South Africa was facing in the early 1990s were not those of a supposedly unwieldy, overly predictable and routinised welfare state bureaucracy. By the end of apartheid, what remained of a narrow whites-only welfare bureaucracy in an authoritarian and increasingly militarised central state had been considerably corrupted by shadowy intelligence and sanctions-busting networks<sup>10</sup>. In orbit around the central state was an array of ethnic “independent states” and “self-governing territories”. Collectively there were 151 government departments and a myriad of white and black municipalities<sup>11</sup>. In short, the public service

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<sup>10</sup> See, inter alia, Hennie van Vuuren, *Apartheid, Guns and Money. A tale of profit*, Jacana, 2017

<sup>11</sup> Chipkin & Lipietz, p6

legacy challenges faced in our immediate post-apartheid democracy were not remotely akin to those of a mature welfare state.

- 4.5. The degree to which the introduction of NPM achieved improvements even in developed welfare societies like the UK, Australia and New Zealand remains the subject of considerable academic and political debate. However, even at the time we adopted aspects of NPM here in South Africa there was already a growing mainstream recognition of its limitations. There is now a well-established body of research critiquing NPM and its applicability even in relatively more developed and less unequal societies than our own<sup>12</sup>.
- 4.6. Internationally, the focus of the NPM reforms was initially typified as ‘managerialist’, increasing management discretion by removing regulation, ‘let the managers manage’, while focusing on enhancing control over ‘deliverables’ and budgets.
- 4.7. In most countries, this was followed by a second phase which was more focused on marketisation of ‘delivery’, with the idea that the “state should steer, not row”. Coinciding and overlapping with the swing to what later became known as neoliberal macroeconomic policies, NPM sought to make the public service more flexible, more efficient and business-like by deploying not only private sector management tools, but also by emulating the value systems of business by, for instance, reconceptualising citizens as “customers” on a market.

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<sup>12</sup> Inter alia, OECD (2004), Public Sector Modernisation: Changing Organisational Structures, OECD Policy Brief, September 2004; OECD (2005), Public Sector Modernisation: Modernising Accountability and Control, OECD Policy Briefs, April 2005; Mintzberg, H (1996), Managing Government, *Governing Management*, Harvard Business Review, May-June 1996.

- 4.8. Given the specific mandate of this Commission, we wish to focus on how the NPM model, not least in the South African context and despite its central claims, has drastically undermined effective, public sector accountability. We identify four assumptions in the NPM model on how accountability for effective and efficient public service would be achieved. The failure in practice of these assumptions has, unintentionally, enabled massive and systemic looting of public resources.
- 4.9. **Assumption One: Improved accountability and results could be achieved through pre-specified outputs allocated to individual managers to “deliver”** – this cornerstone of the NPM model lies at the heart of many problems we have encountered and which are relevant to understanding a key vector in facilitating state capture.
- 4.10. In the first place, the model assumes that there are discrete results that are within the control of the individual manager to whom they are allocated. As Mintzberg notes this can only work if the following conditions are met: *“Particular activities can be isolated – both from one another and from direct authority; performance can be fully and objectively evaluated by objective measures; activities can be entrusted to autonomous professional managers held responsible for them”*.<sup>13</sup> He concludes: *“These assumptions, in my opinion, collapse in the face of what most government agencies do and how they work.”*
- 4.11. Management control exercised through divisional output targets might work relatively well in a private corporation, with so many items rolled off the production line, or so many sales achieved. In the public service, departmental output targets are likely to distort the complexity of much of public

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<sup>13</sup> Mintzberg, H (1996), Managing Government, Governing Management, Harvard Business Review, May-June 1996, pp78 - 79

service, particularly when addressing key social priorities that require inter-departmental, often all-of-government, and even government and community collaboration.

4.12. The centralised specification of predetermined outputs accompanied by the devolution of procurement has meant *“that the capacity of organisations and management processes to respond to critical issues facing public services is very limited. Such issues have been termed ‘wicked issues’ and include crime, poverty, community safety, the care of the elderly and of people with disabilities, economic regeneration, environmental issues, transport, child protection and a host of others (...) The combined managerial and policy deficits in a dispersed field of power militates against the development of a capacity to address issues which resist being neatly defined as managerial problems.”*<sup>14</sup> Needless to say, this list of NPM defying “wicked issues” looks very much like a list of the key priorities facing South Africa

4.13. The casting of public servants as generic managers under the discipline of key performance indicators defined as measurable outputs and with financial incentivisation has also led to tendencies to de-professionalisation. Some activities within the broad public service are relatively routine – the issuing of identity and other documents by Home Affairs officials, for instance, or the payment of social security grants by Social Development and SASSA officials. In these and other cases where safety or fairness (appointments in the civil service) are of prime importance, clear and transparent rules and procedures are absolutely imperative.

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<sup>14</sup> Clarke, John & Janet Newman, *The managerial state: power, politics and ideology in the remaking of social welfare*, Thousand Oaks, California, Sage Publications, 1997, p148

- 4.14. Many other public service activities are, by their very nature, of a different order. While still necessarily governed by an appropriate framework of rules, much public sector work requires the exercise of considerable professional discretion and adaptability. School teachers, or health-care workers, or police officers should have the professional training and capacity to respond appropriately to the situation that presents itself to them at any one time. Narrow and highly centralised attempts to manage class-room teaching by having every Grade Four class in the country, for instance, to be on the same page of a work-book on a given day undermine the necessary professional discretion that a teacher needs in order to respond appropriately to specific class room conditions and individual learners' needs. Likewise, attempts to evaluate police station success rates in terms of crimes reported to the station abstract from vastly different social realities.
- 4.15. These inappropriate attempts at achieving accountability through centralised management tend to de-professionalise major areas of public service, sowing demoralisation, while promoting generic managers over professionals. It is our submission that this often results in demotivation and even removes a sense of accountability ("I was on the correct page of the work-book every day and yet my class failed – so whose fault is that?") and a passive-aggressive compliance with delivery outputs determined elsewhere and irrelevant to the actual complexity of the situation at hand.
- 4.16. With reporting channels running up line departments and based largely on outputs, broader social outcomes and therefore accountability to the public interest easily get lost. Officials may report, for instance, accurately on numbers of RDP houses built, or taps installed. Evaluation of performance, control and further planning are then

based on these output numbers. But because performance bonuses are based on ticking off output numbers like these, public servants are loath to draw attention to actual outcomes – the poor quality of the houses, perhaps, or no water in the installed taps (“it was the responsibility of another department”). Not only does this lead to a false sense of complacency within government, but there is a failure within the system to learn and to improve.

4.17. With motivation to be achieved primarily through personal financial incentives (pay for performance), in which professional peer group collegiality is discounted, considerable energy is often directed to gaming the system, further contributing to cynicism and a loss of a public service ethics. It is a problem with the NPM model that the former Australian Auditor-General lucidly identified: *“Ethical behaviour is one of the principal means by which accountability is maintained in the public sector. Indeed, political and administrative accountability depend on the observance of ethical standards and ethical relations between individuals or between institutions.”*<sup>15</sup> Pointing to the limiting impact of the NPM accountability model, he continues: *“At the risk of stating the obvious, the public sector operates, first and foremost, in a political climate which is values-oriented as witnessed by the constant references to the ‘public interest’, which has always been difficult to define or measure in any generally agreed fashion (...) This means that public sector agencies must balance complex political, social and economic objectives, which subject them to a different set of external constraints and influences than those experienced in the private sector.”*<sup>16</sup>

4.18. In summary, there is a widespread recognition

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<sup>16</sup> Ibid, p4

internationally, including by those countries from which we borrowed NPM, that many areas of public sector work cannot be rendered into predictable outputs for which individual managers can be held accountable. In South Africa we have seen the progressive rendering of APPs and their associated KPIs into meaningless bean-counting. The focus on control has also meant public-servants game the system in order to ensure they are never caught short. Gaming has introduced a level of dishonesty in the system, and importantly has suppressed learning in a situation like South Africa's with complex challenges where learning is essential. This failure of learning has particularly applied to the key departments with transversal responsibilities for public administration (DPSA, Treasury, COGTA). Reliance on crude output-based measures, and supposed best practice in managerial systems has led to a failure to recognise and deal with early signs of the weakness and inappropriateness of this model. This failure has been a significant contributor to the pathologies of state capture.

4.19. Assumption Two: "Let managers manage" - devolve key responsibilities to achieve accountability. While managers in the NPM model are held accountable to externally determined "outputs", this accountability is nominally entrenched at their level by letting "managers manage" how they "deliver" these outputs, in particular, by removing procedural controls and institutional mechanisms in regard to HR appointment processes.

4.20. Problems arising from this approach were quickly recognised in some of the early pioneers of NPM. By the mid-1990s steps were taken in these countries to remedy the problem. *"Problems arising from the radical decentralisation of HR, specifically appointments, contributed to the re-establishment of stronger, direct centralised control or*

*oversight over employment decisions by a relatively independent entity, specifically for senior appointments, and through budget controls on overall establishment. The mid-1990s saw the beginning of a resurgence of the central agencies performing this human resource management function in most jurisdictions across Australia. Expectations of an apolitical, merit-based public service 'cadre' united by a common ethical base strengthened, and as a result most governments re-established the role of Independent Commissioners to 'oversee and protect' the ethics and standards of public sector employment."<sup>17</sup>*

- 4.21. Despite this international experience and these warnings, in South Africa we have been slow to entrench an effective, independent centralised public service authority able to promote ethical public sector management and reform particularly in regard to public sector appointments. It is important to remember that in countries first adopting NPM, like Australia or New Zealand, NPM measures were an overlay upon well-established, professional administrations. In our situation, the problems subsequently identified in these countries with NPM, have been compounded by the reality that this paradigm has tended to be the entire story rather than an overlay. In most departments in South Africa the HR function is relegated to a relatively junior status and the nominally independent Public Service Commission appears to live in the shadow of the Department of Public Service and Administration. The PSC has not been assertive, or has not been allowed to be so.
- 4.22. No performance management system can fix a bad appointment and many department heads complain of having full-time staff in senior management positions who do not have the requisite professional capacities or inclination

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<sup>17</sup> Paine, G, Overview of literature: Design of Public Service and Implications for Transversal Civil Services, (commissioned by Technical Assistance Unit, National Treasury), August 2011

or ability to acquire them. Even more problematically, the decentralisation of the HR function without effective oversight mechanisms has led to wide-scale irregular, unethical and often plainly corrupt appointments. As we will note later, this problem is compounded by crisis levels of unemployment and with public sector jobs often being the only prospect of escaping a life-time of poverty. For many years, for instance, there have been allegations that teachers are being hired in some schools on the basis of bribes, and yet the state has been unable to effectively investigate and deal with the problem. This Commission has, of course, heard many allegations relating to state capture-related, high-level appointments into government and SOEs.

- 4.23. **Assumption Three: “the state must steer, not row” - Greater efficiency and accountability can be achieved through a public-purchaser/private-provider split** – the problems noted above related to the weakness in systems to ensure accountability, learning and improvement, have been exacerbated by the assumption that efficiency and effectiveness will automatically be enhanced by the public service becoming primarily a manager of contracts, a procurer of services, to be delivered by the private sector.
- 4.24. Again, there is an extensive international literature warning of the challenges in this third NPM assumption regarding accountability. Interestingly, given the role played by Australia in pioneering much of the NPM model, the former Australian Auditor General is, once again, an instructive voice: *“Despite the volumes of advice on best practice which emphasise the need to approach contracting out cautiously, to invest heavily in all aspects of the process and to prepare carefully for the actual implementation, and the substantial body of comment in reports from the Auditor-*

*General indicating that Commonwealth agencies have a very mixed record as project and contract managers, the prevailing ethos still seems to promote contracting out as a management option that will yield inevitable benefits.”<sup>18</sup>*

4.25. Further on, Barrett notes: *“The alignment between these core public service values and those of a contractor are particularly important in any outsourcing arrangement. Such alignment is essential if there is to be a genuine partnership arrangement in place, particularly where an organisation’s core business is involved. However, as observed by the well-known author and academic Peter Hennessy: ‘Pieces of paper are one thing, real belief systems quite another. It is very hard to export the public service ethic into the private contractor hinterland. Commercial contracts are not susceptible to a fool-proof public service ethical override.’”*<sup>19</sup>

4.26. The problems built into a contracting-out state model resting on pre-specification of results in a complex situation are exacerbated by the lack of capacity in the public sector to understand the technical requirements, the reasonable cost, and to oversee the project to ensure the results meet the public interest. This is certainly a major challenge in South Africa.

4.27. The “steer not row” maxim, turning the state from a doer, from a direct service provider to a procurer, was meant to introduce greater efficiencies, to lower costs to the fiscus, and to do “more with less”. There is now considerable evidence internationally that outsourced, privatised public goods and services often do not prove to be more efficient

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<sup>18</sup> Ibid. p47

<sup>19</sup> Ibid. p89

<sup>20</sup> for instance OECD 2005 See

or cost effective, even when no corruption is involved.<sup>20</sup>

4.28. This needs to be borne in mind particularly in situations where the strictures of NPM coincide with fiscal pressures (real or assumed) to cut public spending. A non-strategic, across-the-board cutting of the public sector wage bill, for instance, could actually add to fiscal pressures on the public purse through increased contracting out costs especially for skilled professionals.

4.29. For instance, had the investigative and prosecutorial capacity of the state not been deliberately eroded by state capture and, it also needs to be added, by non-strategic public sector cost-cutting measures, much of the work conducted by this Commission could and should have been performed by the National Prosecuting Authority, the Special Investigative Unit and other permanent state structures long before the problem got so out of hand.

4.30. The capacity and long-term effectiveness of the NPA, for instance, was not just negatively impacted by problematic deployments and other state capture interference, as testified before the Commission, but surely also by the 2015 cancellation of the NPA's "aspirant prosecutor" programme, with no new prosecutors trained or hired at all "owing to fiscal constraints". In March 2020 the NPA told parliament there were 1351 vacant posts out of a total of 5550.<sup>21</sup> These "cost-cutting" measures, paradoxically, will considerably have added to the overall public fiscal costs.

4.31. Moreover, the risks and moral hazard of turning the state's functions increasingly into tendering and procuring has, needless to say, been amply demonstrated by the avalanche of testimonies presented to this Commission.

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<sup>21</sup> Franny Rabkin, "Training the NPA's next prosecutors", Mail&Guardian, 6 March 2020. Although the "aspirant prosecutor" programme has since been reinstated and an increased one-off special budget allocation has been made to the NPA, the long-term impact of these cost-cutting measures will be felt for years to come.

- 4.32. In a mixed economy the state will always have to procure to some degree from the private sector. However, when this procurement is massively expanded and when public administrators are increasingly seen as “generic managers” of contracts at a distance, rather than public servants with professional competence in their particular fields of public service, problems are likely to arise. Without professional competence in a particular field, procurement choices and the outsourcing of services, even without corruption or other irregularities are liable to be compromised by the asymmetry in competence. The supposed “steering” state can easily be steered by the “rowers”, a case of a much more powerful and informed tail wagging the dog.
- 4.33. The problem of rowers steering has been accentuated in many cases in South Africa where even policy development and planning (nominally the key instruments for a steering state in the NPM model) are regularly outsourced to private consultancies, many of them associated with particular commercial technologies and services. This Commission, again, has heard ample evidence of the role of external consultancy firms (some of them large global players) willingly and beneficially to themselves developing policy for public entities on behalf of state capture networks.
- 4.34. With much of state procurement now at arm’s length, with procurement divisionalised, in line with the Public Finance Management Act and the NPM approach, with the “purchaser/provider” split, the tendency of departments to act in silos, has further bedevilled capacity to address cross-cutting issues effectively. Instead of the state, with its large bulk procurement requirements becoming a price-

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<sup>21</sup> Ambe, IM & Badenhorst-Weiss, JA, “In South Africa, government procurement... is to a large extent decentralised to departments, provinces and municipalities. If one takes the number of cases of tender fraud and lack of services on all levels of government into account one should ask oneself whether these parties have the knowledge and/or intention to get the best value for taxpayers’ money.” *Journal of Transport and Supply Chain Management*, 2012, p.253

maker, fragmented procurement has further opened up the state to inflated costs and often corrupt capture.<sup>22</sup>

- 4.35. **Assumption Four: The NPM’s self-assured, “common-sense” certainty of being “international best practice”** – the NPM’s central claim has been that it would improve efficiency, effectiveness and accountability. The question then arises as to why in the face of such patent failures in South Africa, not least in the light of the state capture epidemic, we have not moved, as a country, more effectively to learn, develop and improve public administration reform.
- 4.36. Part of the answer is certainly that those who have benefited from the loop-holes in a system that is unable to effectively ensure ethical, public service accountability in the public interest, have been happy to allow inertia or even to block concerted attempts at reform.
- 4.37. Treasury, to its credit, has often been the most important institutional bulwark against runaway corruption and the looting of public resources by state capture networks. But this commendable role has reinforced the assumption that financial accountability through such instruments as the Public Finance Management Act is the key to achieving efficiency and ethical public sector reform. This in turn has reinforced the problematic over-reaching role of Treasury in public administration, with inclinations in Treasury to develop an array of sectoral “international best practice” policy capacities beyond its more specific fiscal area. This has been a characteristic also in other countries where NPM has been extensively deployed. This results in Treasury using its dominant role in the budget-making process to second-guess sectoral policy that is more properly the responsibility of other departments. The idea of achieving class-room accountability by stipulating specific national

“outputs” in terms of where to be in a work-book on a given day was, for instance, a strong recommendation emanating from Treasury.

- 4.38. Built into the way in which NPM has been implemented in South Africa has been the effective blocking of the ability to learn from, develop and improve policy and practice. This in turn has meant that key departments responsible for transversal coordination of the public service (DPSA, Treasury, and COGTA) have never evaluated their own roles in strengthening or unwittingly weakening public sector accountability. As elaborated above, accountability through pre-specified outputs that typically ignore the complexity of much public service work, in which accountability is often viewed as essentially punitive in character, means that public sector managers are not encouraged to report on problems, or under-achievements due to complexities beyond their control. Effective monitoring, evaluation and, above all, collective learning, suffer as a result. This results in a degree of complacency in the key transversal departments, and the important and ongoing importance of iterative planning is incapacitated.
- 4.39. In the face of failures, the fall-back position becomes the assertion that the NPM model is “international best practice”, the policy is fine and beyond question, “it is just implementation” that is at fault. But surely chronic “implementation” failures are a sign of policy failure.
- 4.40. The “delivery” state and the problem of accountability to the public – in the preceding sections we have focused on the many weaknesses of the NPM accountability mechanisms within the public service and state in South Africa. But what of accountability to the broader public?

4.41. We have already noted that a key element of the NPM's managerialist paradigm is the reduction of citizens to "customers". This reduction tendentially transforms public service to a market-place transaction, in which citizens become atomised purchasers. As Cox et al note: *"NPM hinders any return to substantive democracy and limits the degree to which citizens can meaningfully effect policy and administration...when citizens are recast as consumers, they operate within an attenuated form of democracy: (...) to extol the consumer is to deny the citizen"*.<sup>23</sup>

4.42. In the private sector, in theory at least, individual consumers have "voice" through the choices made on the market. These provide market signals with the purchase of a particular brand of article or service in preference to another. But most public services (health-care, education, safety and security) are not, and should not be, for-profit brands competing for market-share. For a majority of citizens, not least in a society like South Africa, when it comes to health-care, or community and personal safety, or education there is no "market-choice", no option of going to the private health-care market with a medical aid, or purchasing private security, or paying for private schooling. A model of public service that seeks to emulate the "efficiencies" of the private sector, where the public interest is subordinated to prices and markets and citizens are seen as "client/consumers", will result in poor redistributive outcomes and the deepening of inequality.

4.43. This undercuts effective and meaningful accountability of the state to the public it nominally serves. With NPM managers focused on service "delivery" and on the management of performance-based contracts rather than participatory engagement with society, the critical developmental role of

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<sup>23</sup> Cox, Richard, Gary Marshall, BJ Reed, Christine M Reed, "New Public Management and Substantive Democracy," Public Administrative Review, Sept/Oct 2001, v61, n5, p613

public participation and popular developmental activism is eroded. It is notable how many South African communities resort to expressing their frustrations in “service delivery protests”, outside of any NPM transactional, “market space” while, at the same time, enacting their vocation as supposed “customers” (in this case, frustrated customers) of “service delivery”, rather than as co-producers of development with a shared responsibility for the well-being of their communities.

- 4.44. The service-delivery model of public administration also often puts unsustainable pressures on politicians. For instance, as one mayor involved in a public participatory work-shop once remarked: “There is no way I will expose myself to public participatory planning. The community will insist on having one ambulance in every street.”<sup>24</sup> The mayor in question clearly felt that “delivering” ambulances was his personal responsibility, rather than assisting the collective identification of community priorities and the resources available for these in a transparent and participatory manner.
- 4.45. On its own, the introduction of a variant of the NPM model in public service reform in South Africa, however inappropriate it was, while making our state vulnerable, did not on its own make runaway state capture inevitable. Two other policy and practical factors, emerging out of quite different legacies, combined with NPM, and in the context of extreme levels of inequality and poverty, helped produce an environment that greatly facilitated state capture.

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<sup>24</sup> Personal communication from a public administration trainer.

## 5. Elite Black Economic Empowerment

- 5.1. The SACP supports policy measures to collectively empower, and to promote popular mobilisation and agency for collective self-empowerment of those who continue to be disempowered by the legacy of colonial, internal colonial and racist and gendered oppression. Land reform and restitution, including the transformation of our persisting apartheid spatial urban and rural geography; a wide variety of affirmative action measures including employment equity, the consolidation of a developmental public sector, the recognition of prior learning, significant public investment in social wage interventions (for example, safe, affordable and efficient public transport); and much more are important elements of such a broad-based empowerment of the majority of South Africans.
- 5.2. In fact, since at least 1929 this understanding of black empowerment has been a cornerstone of the Communist Party in South Africa's programmatic outlook. However, this programmatic outlook needs to be distinguished from what has evolved since the mid-1990s as formalised Black Economic Empowerment (BEE) policy and practices.
- 5.3. Early fore-runners of what was to become BEE included late 1970s initiatives by some multi-national corporations in South Africa, feeling the pressures of the mounting global anti-apartheid movement's call to boycott apartheid South Africa, and the gathering momentum within the United Nations to apply sanctions. The "Sullivan Code" was initiated by the Reverend Leon Sullivan, then a member of General Motors board of directors in the United States. The code provided limited measures for "equal opportunity". It was seen by the ANC and the SACP at the time as an attempt to blunt the isolation of apartheid South Africa.

5.4. In the course of the 1980s there were also moves initiated by local corporations and elements within the apartheid state to create a “buffer black middle class” to forestall the increasing influence of the still illegal ANC. Institutions like the Urban Foundation and the Independent Development Trust were active in this space and found interlocutors in formations like the National African Federated Chambers of Commerce (NAFCOC).

5.5. In order to understand the subsequent trajectory of what became known as BEE, it is useful to appreciate these earlier beginnings and, more especially, the active driving of BEE-type deals by corporate South Africa immediately before the ANC’s 1994 electoral victory. With the imminent prospect of a changed political elite and political reality, established capital within South Africa was anxious to build new connections and influence. In part, established capital drew on an earlier “transitional” moment, the 1948 electoral victory of the National Party which brought into government a new political elite that had at times been critical of capitalism, or, at least, of the dominance of Anglo-centric capitalists and corporations.<sup>25</sup>

5.6. According to Mark Gevisser, it was in this period that Anglo-American corporation’s “Michael Spicer was charged with looking at the General Mining deal that the mining group had transacted some 40 years earlier with Afrikaner business (...) Could this provide a model?”<sup>26</sup> The upshot was that Anglo-American sold African Life and a range of industrial assets, packaged as Johnnic, to black beneficiaries. The more lucrative, at the time, platinum interests were not sold off.

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<sup>25</sup> Dan O’Meara, *Volkskapitalisme*

<sup>26</sup> Mark Gevisser, Thabo Mbeki: *The dream deferred*,...2007, p.8

5.7. Afrikaner business was also quick to get off the mark. Nthatho Motlana, who had been spurned in the Anglo deal was reportedly told by Org Marais (then National Party Minister of Tourism): “Forget the English. Come and do business with the Afrikaners – ours is Metlife.”<sup>27</sup> This latter deal gave rise to NAIL which drew into its fold a number of prominent black political figures.

5.8. We are not implying that there was necessarily anything illegal about these deals. Nor are we suggesting that state capture was an inevitable outcome. There are, however, four issues that deserve highlighting and which, we argue, provided vectors that, in time, facilitated state capture:

- Whose agenda was it? While individuals associated with the ANC and broader liberation movement were beneficiaries, the agenda was initially driven by incumbent capital. It was seen as economic insurance, a means to ensure influence upon and a hot-line to an impending new political reality. In short, it was a way of partially accommodating a new elite the better to avert more fundamental transformation.
- While estimations of potential business acumen might have been a factor, the selection of beneficiaries as “partners” by incumbent corporations would also have been strongly influenced by calculations around who was and who was not likely to be close to, if not in, a future, post-apartheid government.
- Since the majority of beneficiaries were without capital themselves, the deals were based on debt, highly-leveraged share-holdings with repayments to be putatively made out of dividend earnings. This created many vulnerabilities and dependencies.

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<sup>27</sup> Ibid. p.8

- Above all, although these practices came to be referred to and codified in legislation as BEE (later “Broad Based” BEE), they were, essentially, intra-elite redistribution. They have had little impact, and probably even a negative impact on the majority of black South Africans. By 2010 it was estimated that at least R500bn had been “invested” in allocating shareholding to black groups. This compared to the less than R150bn invested by the state in housing and land reform by that time.<sup>28</sup> Furthermore, bearing in mind that these deals involve (and have increasingly involved with the development of relatively complex codes and score-cards) major transactional costs, this represents a significant amount of capital that might have been more developmentally invested. BEE has certainly been one, if not the major factor, behind wealth inequality among Africans growing at a faster pace than general wealth inequality. By 2015, with a GINI coefficient of 0,56, intra-African inequality had climbed to close to the world-record, with overall South African inequality at 0,59.<sup>29</sup>

5.9. All of these factors resulted in considerable debate and differences within the ANC and ANC-alliance. While these deals were originally an agenda initiated by established capital, from within the ANC, then deputy president Thabo Mbeki and close associates in and around 1997 launched a concerted attempt to develop BEE as an integral part of the ANC’s strategic agenda. At the centre of this was the attempt to use the state and its public resources more centrally in driving BEE.

5.10. A major policy shift in this direction was signalled by the publication of an influential ANC discussion document:

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<sup>28</sup> Cargill J, Trick or Treat. Rethinking Black Economic Empowerment, Jacana, 2010, p.xiii.

<sup>29</sup> StatsSA, Inequality Trends, 2019

“The state, property relations and social transformation”<sup>30</sup>. In the light of what was later to become full-blooded state capture, it is worth quoting the key passage in this document in full: *“An important element of the tasks of the state is ensuring that the glass ceiling of apartheid is removed from above the aspirations and ambitions of the black middle strata and capitalist class. In a systematic way, the national democratic revolution has to ensure that ownership of private capital is not defined in racial terms. Thus the new state – in its procurement policy, its programme of restructuring state assets, utilisation of instruments of empowerment, pressure and other measures – promotes the emergence of a black capitalist class.”*<sup>31</sup>

- 5.11 At face value, these might seem like eminently acceptable and unproblematic perspectives. However, with the subsequent history of state capture in mind, closer scrutiny is required.
- 5.12. While all legal and other “glass ceiling” restrictions based on race (and/or gender) on the right to trade, or to own property needed to be (and have generally been) abolished, this passage from the ANC discussion document is going much further. It is advocating the “systematic” and active promotion of a “black capitalist class”, owning “private capital” as a major pillar of the “national democratic revolution”. This private capital accumulation is to be driven by state procurement policy and privatisation (“restructuring state assets”). (Note how this begins to align with some of the core and problematic pillars of the NPM elaborated upon above).
- 5.13. The use of public resources to drive this form of elite private

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<sup>30</sup> ANC, Umrabulo, n5, 1998

<sup>31</sup> Ibid. pp47-8

capital accumulation was justified on the grounds that it would create a new “patriotic bourgeoisie” that, presumably, because of its dependency on the ANC state and some inherent subjective values would be more inclined to contribute funding to the ANC, and more generally invest in job-creating productive investments within South Africa than their more established white counterparts.

5.14. These arguments also required a considerable reinvention of the more anti-elitist and solidaristic values that had been at the centre of the ANC’s decades long liberation struggle. At its 1969 Morogoro conference, for instance, the ANC explicitly declared: *“Our nationalism must not be confused with chauvinism or narrow nationalism of a previous epoch. It must not be confused with the classical drive by an elitist group among the oppressed people to gain ascendancy so that they can replace the oppressed in the exploitation of the mass.”*<sup>32</sup>

5.15. Speaking as president of the country, Thabo Mbeki implicitly affirmed the need for a reinvention of these values when he told the 1999 annual conference of the Black Management Forum: “we must abandon our embarrassment about the possibility of the emergence of successful and therefore prosperous black owners of productive property...”<sup>33</sup> Others were less embarrassed and took this re-invention of ANC values much further. Phumzile Mlambo-Ngcuka, then minister of mining and later deputy president asserted that “blacks should not be ashamed to be filthy rich” (2002); and Smuts Ngonyama famously said “I didn’t struggle to be poor”. Articulation of a new value set and its legitimization in such an unqualified form in word (and often in deed) was to play havoc within the ANC and broader society.

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<sup>32</sup> ANC, Strategy and Tactics, 1969

<sup>33</sup> <http://www.sahistory.or.za/archive/speech-annual-national-conference-black-management-forum>

- 5.16. Aspirant capitalists without capital can only become capitalists through a process that Adam Smith described as “primitive accumulation” (a term Karl Marx borrowed from Smith and expanded upon). Historically, the South African capitalist class (which is still overwhelmingly white and male) was constituted out of a primitive accumulation process built on wealth plundered from colonial dispossession and consolidated through the hyper-exploitation of migrant black labour reproduced “cheaply” on the back of survivalist subsistence activities mainly by women in the so-called native reserves (later bantustans). The emerging South African capitalist class from the late-19th century also accumulated capital by serving as local agents (a “comprador” bourgeoisie) subordinate to metropolitan European capital that was the real driving force behind the mining industrial revolution of the late 19th and early 20th century.
- 5.17. Afrikaner capital accumulation that blossomed after the 1948 election victory of the National Party had its roots in the mobilisation of Afrikaner savings deriving largely from the agricultural sector, based in turn on colonial and later segregationist land dispossession and forced removals, coupled with hyper-exploitation of farm labour, including unpaid tenant (including child) labour, and even convict labour.<sup>34</sup>
- 5.18. Primitive accumulation for a new stratum of aspirant capitalists without capital in post-apartheid South Africa could not justify accumulation on the basis of the racialised, hyper-exploitation of black labour. Which is why primitive accumulation on behalf of a new BEE elite has largely come in one of two forms (often in combination) – either as highly leveraged share acquisitions, or through the diversion of public resources by way of state procurement

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<sup>34</sup> Dan O'Meara, *Volkskapitalisme*

and/or privatisation. The SACP has described these two forms of accumulation as comprador accumulation (with all of its dangers of fronting) and parasitic accumulation.

5.19. Interestingly, the ANC's 1998 discussion paper ("The state, property relations and social transformation") acknowledged the risks: *"While these forces [an emergent black capitalist class] are direct beneficiaries of the national democratic revolution (...) they can easily be co-opted into the agendas of their white counter-parts; and they can easily also become a source of corruption within the state."* In the face of this prophetic acknowledgment, the relevant paragraph of the document simply concludes: *"ANC leadership of these forces is therefore critical."*<sup>35</sup>

5.20. But the ANC quickly lost any unified strategic control, in fact, it had probably already lost much of the control over the process of comprador and parasitic accumulation, and the resulting syndromes were beginning to spin back into the ANC in the form of deepening factionalism that often had little to do with policy differences, and everything to do with rivals competing for position, power, patronage and wealth.

## Cadre deployment

**6. How ANC leadership was to be exercised over this private accumulation was not spelt out in the 1998 discussion document. But "cadre deployment" by the ANC, in the selection of potential BEE beneficiaries, and in appointments to key state positions that would decide on procurement, on regulations, and the like was certainly seen as a key potential "leadership" tool.**

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<sup>35</sup> ANC, Umrabulo, n5, 1998, p48

- 6.2. Former President Kgalema Motlanthe in an earlier 1997 interview with Padraig O'Malley explained that the ANC had studied and sought to emulate Afrikaner nationalist practices, particularly those of the Broederbond, of the early 1950s: *"They were sending brilliant young ones through Technikons overseas in Holland, Germany. They came back and they are deployed to run this institution or that institution. [Despite] much of the excesses of apartheid, one can't help but admire their determination because they were exactly more or less in the same situation we find ourselves in today...They were meticulous, they understood they were now in power and that these levers of power must be utilised to advance their cause."*<sup>36</sup>
- 6.3. Faced with a complex state bureaucracy inherited from the apartheid past, it is easy to understand why targeted "cadre deployment" into strategic state positions seemed to be both desperately needed and perfectly justifiable especially in this early period so soon after the 1994 democratic elections. Even in well-established democracies with a relatively stable administration, there can be challenges to secure alignment following a general election between a new (or refreshed) electoral mandate and the likely inertia within the bureaucracy. The challenges facing the ANC after the 1994 electoral rupture were of a considerably different order of magnitude.
- 6.4. But we need to go further. In a society suffering from a persisting, deep legacy of racialised structural inequality, an effective developmental state requires appropriate leadership and capacity at all levels. This requires attention to the strategic deployment of appropriately skilled professionals, regardless it should be emphasised of any narrow, party political personal affiliations, but who:

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<sup>35</sup> Acited in James Myburgh, "Who is Kgalema Motlanthe?", Politics Web, 25 September, 2008

- Are committed to the public interest and the values of the Constitution;
- Are attuned to the broad democratic mandate as expressed through an electoral process, and;
- In a multi-ethnic society with a deep history of racialised and gendered oppression, possess a significant degree of affinity with the social, community and demographic realities of our country.

*In short, narrow technical competence is necessary but not sufficient.*

- 6.5. In a multi-party, constitutional democracy the relationship between a duly elected ruling party, its representatives in legislatures and in the executive, and the administration is not as simple as it is sometimes argued. Clearly, if a democratic mandate is to be respected, these locations cannot be seen as disconnected islands. However, clarity on the relative independence and respective strengths and limitations (constitutional, legal or otherwise) of each is absolutely important. As much evidence before this Commission has underlined, the collapse of one into the other, or an over-reaching interference in one or another direction, can be highly problematic. A key feature of much of state capture has precisely involved this kind of deliberate conflation and over-reaching.
- 6.6. In the concluding section we make some brief proposals for discussion on how to address the challenge of effective appointments in the state. Much of the real problem, however, with so-called “cadre deployment” is that, under the dual impact of a problematic restructuring of the public service and the factionalising consequences on the ANC of

its promotion of elite redistribution through BEE, so-called “cadre deployment” became an active tool of state capture.

- 6.7. From at least the ANC’s National General Council of 2000, the organisation was formally admitting that it was beset by chronic factionalism grounded less in ideological differences and more in money politics, a loss of moral values, and growing social distance from its mass base, and, accordingly divisions over “deployment”. In his keynote address to that NGC, ANC president Thabo Mbeki warned: *“Our experience in the last six years tells us that there is absolutely no reason why we should assume that we ourselves stand no danger of becoming victim to the widespread corruption we have seen in other countries in Africa and elsewhere in the world.”*<sup>37</sup>
- 6.8. In this 2000 NGC address, President Mbeki saw ANC “cadre development” as the key intervention to enable the ANC to regroup and fulfil its “historic function” as “moral leader of society” (ibid.) But “cadre development” went hand in hand with the notion of “cadre deployment” into key sites of state power and this was at the heart of deepening internal turmoil.
- 6.9. On 26 April 2001, for instance, police minister Steve Tshwete announced that ANC national executive committee members and leading early BEE beneficiaries, Cyril Ramaphosa, Tokyo Sexwale and Matthews Phosa, were plotting against President Mbeki. This extremely serious allegation was subsequently withdrawn, but it was widely speculated that the trio’s access to wealth independent of what was then the dominant grouping in the ANC and government was the source of factional unease.

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<sup>37</sup> [www.sahistory.org.za/archive](http://www.sahistory.org.za/archive)

- 6.10. Similar high-level divisions in the ANC opened up with the commencement of arms deal-related prosecutions. Those charged, said to be part of the “secondary contracts”, were certainly not among the major financial beneficiaries of the controversial deal. Whether or not ANC-related beneficiaries of the “primary contracts” were involved in corruption we do not know. It is not our intention to speculate on that here. However, this was another major source of suspicion, factional division, and acrimony within the ANC’s leading structures.
- 6.11. Another source of instability within the ANC was the rivalry between competing external business interests who backed different ANC individuals or formations like the ANC Youth League. Corporate rivalries to secure government tenders then created factional rivalries within ANC and government structures.
- 6.12. Above all, not every individual aspirant or network of aspirants whether at the ANC branch, regional, provincial or national levels, could be accommodated in share-deals, or state procurement processes. Not everyone could become “filthy rich”. Resentment at being left out of a perceived inner circle of repeat BEE-deal beneficiaries grew.<sup>38</sup> Provincial fiefdoms controlled by ANC strong-men (later referred to loosely as the “premier league”), in which the early beginnings of state capture in the fuller sense of that term had already taken hold, were anxious to extend their sway onto the national stage. These resentments and aspirations were part of what lay behind the turmoil of the ANC’s 2007 Polokwane national conference, and were ably mobilised by Jacob Zuma in his successful bid to be elected ANC president.

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<sup>38</sup> In 2002, Kgalema Motlanthe, ANC secretary-general at the time, critiqued BEE and argued that beneficiaries should be “restricted to one deal [per individual] and that what was needed was genuine economic transformation that benefitted the black masses rather than creating an elite club of black millionaires” ([www.sahistory.org.za/people/kgalema-motlanthe](http://www.sahistory.org.za/people/kgalema-motlanthe))

6.13. The BEE process that had been partially justified within ANC ranks for its fundraising potential increasingly ended up funding factions with reports suggesting that enormous sums of money were being raised and spent on internal political contestation.

6.14. In his 21 July 2000 keynote presidential address to the ANC's NGC, President Mbeki said:

*“There are at least three elements that create the possibility of the triumph of corrupt practice in our societies (...) the scramble for access to resources;*

- *the absence of a truly popular political movement loyal to the interests of the working people; and*
- *the demobilisation of the masses so that they become passive objects of policy rather than activists for their own social emancipation.”<sup>39</sup>*

6.15. In this submission we have endeavoured to sketch out how there were policy choices resulting in practices and institutional developments that actively and systemically contributed precisely to fostering these three negative elements clearly outlined by former President Mbeki. In the absence of understanding these underlying systemic features, moral appeals for changed behaviour, while needing support, are likely to run against the tide.

6.16. It was the active promotion of a distorted, elite version of black economic empowerment and the reformulation of acceptable ANC moral standards (from solidarity to get “filthy rich”) that legitimised “the scramble for access to resources”. The resulting development of a politically connected economic elite with growing social distance between it and

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<sup>39</sup> [www.sahistory.org.za/archive](http://www.sahistory.org.za/archive)

its mass base, and the way in which the centrality of cadre deployment was increasingly factionalised meant that the ANC increasingly strayed from being “loyal to the interests of working people”. The combination of these factors together with the implementation of an inappropriate and partial version New Public Management paradigm, again, systemically contributed to popular “demobilisation” with citizens becoming “customers”, the “passive objects of policy”, or, worse still, clients of political patronage, “rather than activists for their own social emancipation.”

## **7. The corrosive impact of our socio-economic crises on the political space**

- 7.1. In the introduction to this submission, we asserted that, while the crisis of poverty, inequality and unemployment is not the specific focus either of this submission or the Commission itself, it is important that we do not lose sight of it as we confront the question of state capture. In particular, the potentially corrosive impact of inter-generational, long-term structural unemployment on the political space must not be underestimated. This corrosive impact has been heightened by the sense that much of what has been happening since 1994 has been intra-elite redistribution while a majority is left behind.
- 7.2. One useful and we believe representative sample of this corrosive impact is provided by a 2016 internal ANC Gauteng discussion document. A survey of ANC members in Gauteng found that 42 percent of ordinary members and 31 percent of office-bearers were unemployed. As many as 45 percent of ordinary members and 36 percent of leaders who were surveyed said that they experienced periods when they went hungry. Slightly over half the members earned between R299 and R2,999 per month, and only 24

percent had a post-matric education.<sup>40</sup>

7.3. Referencing this study, Neil Coleman observes: *“But if ANC members lacked access to the fruits of BEE and traditional business, what they shared (in some cases literally) with the leadership was access to the levers of local provincial and national government, as well as certain state institutions. While this wasn’t necessarily always an openly corrupt relationship, the networks of patronage underlay the hollowing out of democracy in the movement, and mobilisation of members to support certain slates, in return for access to a share of the goodies.”*<sup>41</sup>

7.4. The 2016 ANC Gauteng document itself observes: *“A position in a local council has been described as the difference between poverty and putting something on the table for one’s family – an indication of how high the stakes are here, leading often to violence and even assassination.”*<sup>42</sup> This is the context in which legitimising problematic and even corrupt behaviour might take hold within the ruling party, especially when leadership figures in government and the party appear to be actively involved in predatory behaviour.

7.5. The impact of the social crises on the ANC is also well captured, if anecdotally, for instance, by Jonny Steinberg’s account of his several years of research in Bethlehem, eastern Free State: *“I was staggered to witness the extent to which it had become a single-source economy. In the township of Bohlokong the majority of those I met who had a formal job or stable business either worked for government or were contracted to deliver a public service. I was even more staggered to discover how many of these jobs were*

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<sup>40</sup> Cited in Neil Coleman, “Do we have to choose between a predatory elite and white monopoly capital?”, Daily Maverick, 21 April 2017.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

*available only to those with personal connections to leading ANC figures. The patronage networks went right down to the bottom of the municipal wage scale; I met cleaners who got their jobs through membership of their local ANC branch. The result is that branch meetings are like vipers' nests. Factionalism is vicious and interminable because everyone needs their patron to get ahead.”<sup>43</sup>*

7.6. The township of Bohlokong may be something of an extreme (although far from exceptional) outlier. However, for millions of South Africans caught in rural and dormitory township poverty traps, in the absence of effective socio-economic transformation, some kind of connection to the state and the ruling party might well be the only prospect to escape radical unemployment and abject poverty, however temporarily and marginally. In these conditions, building a support base through dispensing patronage might be regarded by politicians as the only means of staying up on an all too slippery pole. Incumbents continuously face challenges from rival patronage networks who claim it is now their “turn to eat”. This results in considerable churn from one electoral cycle to the next, and there are often suggestions that at least some “township service delivery protests”, however grounded in real crises they might be, are actively organised by rival factions less bent on finding social solutions than on advancing their own agenda. It is these very networks down to the most local level that the full-blown state capture project arose from and tapped into.

## **8. The need for an ethical, democratic and capable developmental state**

8.1. All of this creates a major challenge. We need an ethical, democratic and capable developmental state to provide

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<sup>43</sup> Jonny Steinberg, “SA could grant itself a way to something big”, Business Day, 6 May 2021

leadership and coordination in overcoming the triple crises of poverty, inequality and unemployment. And yet in a vicious cycle, socio-economic desperation, exacerbated by inappropriate policies and practices, has been the seed-bed for state capture that then corrodes the very capacity of the state to play an effective developmental role. To break out of this vicious cycle we need to deal decisively through the criminal justice system with the state capture networks, while changing the intermediary policies and practices that have played a role in state capture, and, at the same time defending and consolidating the capacity of the state to play an effective developmental role.

- 8.2. In short, urgent remedial responses to state capture, and medium-to longer-term preventive measures that will buttress against its recurrence must not undercut the need for an active, democratic, developmental state capable of driving structural transformation. One of the major negative impacts of state capture is that in the public discourse it has helped to undermine confidence in the very possibility (or even desirability) of such a developmental state.
- 8.3. The ravages of state capture have depleted key state-owned enterprises (SOEs), thus playing into the hands of those who criticise the need for and legitimacy of a developmental public sector. State capture networks have demagogically appropriated the language of a “radical” structural transformation. In the name of “cadre deployment” factional and corrupt appointments have been made.
- 8.4. All of these extremely negative realities might easily lead to a view that what we need is “efficiency”, “good governance”, understood as a “minimal” state, where things are best left to “the market” as arbiter of the public interest, that we need stringent austerity measures to slim down a “bloated”

public sector, that the civil service should be technocratic, and modelled on private sector “best practice”.

8.5. As the School of Oriental and African Studies, London-based academic Mushtaq Khan has frequently and ably argued, while “good governance” is certainly required, the notion of “good governance” is typically “*based on an ahistorical reading of the factors*” required for sustained development in African and other third world contexts facing crises of under-development. “*Good governance has come to mean support for improving the enforcement of property rights, the rule of law, fighting corruption and improving accountability*”, all of which, Khan concedes, are positive objectives considered abstractly. But developmental transformation requires “*a very important role for politics and the state, not in enforcing some pre-existing structures of rights, but rather in changing property rights structures and creating opportunities for the creation of new productive enterprises while managing political stability in contexts where the potential for conflict is high (...)* This requires strong governance, but these are not the governance capabilities that the good governance agenda focuses on.” (author’s emphases).<sup>44</sup>

8.6. A swing-back in the direction of a minimalist state as if this were the key response to dealing with state capture, with drastic cuts of funding to the public sector will exacerbate and defeat any attempt to address the underlying socio-economic crises in our country. If left unaddressed, these will continue to spawn desperation to survive at any cost, and provide an open playing field for populist demagogy, anti-constitutionalism, and all the pathologies of state capture.

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<sup>44</sup> Mushtaq H Khan, “Governance during social transformations: challenges for Africa,” *New Political Economy*, 17 (5), pp.667-675, 2012. Also available at [eprints.soas.uk/17298/1/1/Governance%20during%20Social%20Transformations.pdf](https://eprints.soas.uk/17298/1/1/Governance%20during%20Social%20Transformations.pdf)

## Remedial actions

**9. Effective measures to address state capture require clarifying the web of underlying factors and tackling root causes rather than just the symptoms. The objective of this submission has therefore been to sketch out policy choices and institutional practices that, in their interaction and in the general context of deep socio-economic distress, have contributed systemically to state capture in South Africa. The emphasis has been on diagnosis rather than an extensive elaboration of remedial steps.**

9.2. We hope that this submission and more importantly recommendations that emanate from the Commission will help to promote a wider, public and informed diagnostic process that follows the policy cycle of identifying the problem of state capture, its sufficient and necessary underlying causes, and remedial options.

9.3. However, given the diagnosis offered in this submission, certain remedial steps suggest themselves. Some of these are briefly outlined as proposals for further discussion and consideration.

9.4. The public service – We fully support the standard three-pronged approach to dealing with corruption in the public sector: ethical training and integrity promotion; preventative checks and balances that make it more difficult for people to be corrupt and that expose corrupt or fraudulent activities in the early stages; and investigation and sanction of all cases of corruption, theft and fraud so that there is “consequence management”. There also needs to be much more effective protection of whistle-blowers.

9.5. On their own, however, these interventions, all of which

require adequate resourcing, will not be sufficient as long as they are encased within a problematic model of the civil service.

- 9.6 Improving accountability - A pertinent question that needs to be asked is why, with all of the managerial control systems, like the PFMA and MFMA, in place, it took so long to recognise the severity of the state capture problem. This failure was certainly due in part to state capture undermining accountability structures. But it is our contention that this failure has also been due in large measure to a wrong model of civil service reform being pursued.
- 9.7. The Presidency and departments with transversal responsibilities (Public Service and Administration, Treasury, COGTA, etc.), must be staffed with people with deep training in public service organisation and management. These departments need to be evaluated on a regular basis for their own individual and collective contribution to building an effective public service (this is not the current practice);
- 9.8. The mechanisms for ensuring accountability should move beyond a reliance on financial rewards and the PFMA. Accountability mechanisms need to be regularly assessed for their effectiveness. Specifically, we believe that a comprehensive review of the PFMA must be undertaken.
- 9.9. In strengthening monitoring and evaluation in a participatory manner, a non-punitive approach needs to assist in making visible problems, mistakes and shortfalls so that collective learning and improvements can be achieved. “Consequence management” should be understood not just as a punitive measure, but also as a corrective, training and re-training intervention.

- 9.10. Professional capacity needs to be re-built within the state. Diverse and relevant professional competencies and norms need to be promoted and valued rather than the current skewed emphasis on a generic managerial focus borrowed from the corporate world. This includes greater reliance on motivation through fostering professional peer group esteem and not just a narrow reliance on financial incentives.
- 9.11. **Building a more participatory approach** - A more participatory approach to public service work must be fostered, versus a top-down delivery approach in which citizens are reduced to clients. In this context it will be important to evaluate the experience with and improve upon a range of participatory institutions, like School Governing Bodies (SGBs), Community Policing Forums (CPFs), etc.
- 9.12. Community-based citizen monitoring and evaluation programmes should be developed to assist improvement of front-line services (police stations, social security pay-out points, etc), giving voice to community experience but also listening to the experience of front-line workers.
- 9.13. We need to learn from and expand Community Work Programmes and other similar public employment programmes that have the potential to develop a local community sense of ownership over and joint responsibility for community care-work, community safety, and local infrastructure and facilities.
- 9.14. **On public sector appointments** – No performance management system can fix a bad appointment.
- 9.15. As in most democratic dispensations, we support the principle that the top echelons in the public administration

should be political appointments (“cadre deployment” in its non-vulgarised meaning). Other senior civil service appointments need to be strictly based on clear, transparent and uniform rules established by the Public Service Commission. The role of the Public Service Commission needs to be enhanced and it needs to play an ongoing role in monitoring and evaluating appointment procedures.

9.16. To further enhance an all-of-government role for the PSC its (often excellent) work and reporting need to be elevated. In reporting to Parliament, for instance, consideration should be given to a Joint Portfolio Committee that involves MPs overseeing other departments (COGTA, Treasury) with transversal public administrative responsibilities, and not just the DPSA.

9.17. Black Economic Empowerment and preferential public procurement - We welcome attempts to broaden the range of beneficiaries with a greater focus on SMMEs and cooperatives, on worker empowerment deals, proposals to include worker representatives on boards of companies, and the shift from a share-holder to a stake-holder emphasis. We also welcome the shift of emphasis to assisting black “industrialists” – that is, those with a proven capacity for productive investment, rather than financialised wheeling and dealing in existing assets.

9.18. However, the broad thrust of (BB)BEE still remains skewed to intra-elite advancement and we call for a thorough evaluation of the actual impact on addressing racialised and gendered inequality of current (BB)BEE and related procurement programmes and practices.

9.19. **On cadre development and deployment** - We support the importance of a coherent and planned cadre development

approach within the ANC and, indeed, across the alliance. We also support the importance of non-factionalised cadre deployment within the party political space (in electoral lists, appointments to party political positions within legislatures, etc).

**10. Conclusion** - In this submission we have deliberately avoided making specific allegations of wrong-doing against individuals or entities. We hope that in focusing on more general policy and systemic features, we might contribute to a wider, collective reflection and to remedial actions that go beyond the necessary criminal justice and civil action interventions that must be pursued in the light of the avalanche of evidence brought before the Commission. We hope that a wider, collective reflection on underlying systemic issues will help to prevent renewed waves of state capture in the future.

## DEPONENT

I certify that the Deponent acknowledged that he knows and understands the contents of this affidavit, that he has no objection to the making of the prescribed oath and that he considers this oath to be binding on his conscience. I also certify that this affidavit was signed in my presence

at \_\_\_\_\_ on this \_\_\_\_ day of \_\_\_\_\_ 2021

and that the Regulations contained in Government Notice R1258 of 21 July 1972, as amended by Government Notice R1648 of 19 August 1977, have been complied with.

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COMMISSIONER OF OATHS

*SELECTED STATEMENTS, EXCERPTS OF STATEMENTS  
OR REPORTS ON THE SACP CAMPAIGNING FOR ACTION  
AGAINST CORPORATE STATE CAPTURE AND THE  
ESTABLISHMENT OF A JUDICIAL COMMISSION OF INQUIRY,  
A CALL THE PARTY MADE BEFORE ALL ELSE.*

## **SACP AUGMENTED CENTRAL COMMITTEE STATEMENT**

**Defend our democratic institutions!  
Build the unity of the working class.**

**30 November 2014**

As a movement we need to implement more decisively key anti-corruption resolutions like those adopted at the ANC's 53rd National Conference held in 2012 in Mangaung. In particular, the resolutions include **the resolution that those in our ranks facing criminal charges in the courts of law, should stand down from their party political and government positions.** It is costing us publicly as a movement that we are not moving decisively in this regard. **There are also widespread indications of money politics at play and even of businesspeople having a direct hand into appointments to key positions within the state.**

However, the SACP rejects the allegation that the "whole of the ANC", or "the whole of the state" is corrupt. But unless corruption and *corporate-capture* are dealt with severely and decisively these problems risk becoming systemic and difficult to reverse. The best weapon against these dangers is two-fold:

1. **decisive state action including criminal prosecution of those allegedly involved in corrupt activities...We are**

concerned...that corruption and fraud cases are typically dragged out over many months in our courts. The capacity of the courts to deal effectively and efficiently with this scourge must be enhanced.

2. **anti-corruption state intervention needs to be combined with active communities and a united and mobilised working class.**

**STRENGTHEN WORKER DEMOCRACY,  
ADVANCE WORKERS' INTERESTS, SUPPORT  
THE SACP'S CALL FOR A JUDICIAL  
COMMISSION OF INQUIRY INTO CORPORATE  
CAPTURE OF STATE AUTHORITIES, PUBLIC  
OFFICIALS AND PUBLIC ENTITIES**

**Red Alert by Comrade Solly Mapaila, SACP  
Second Deputy General Secretary**

**22 March 2016**

One of the problems facing the trade union movement in general is the problem of penetration by private corporations in trade union organisations post-1994 and the phenomenon associated with it of business unionism. In other words, there is a variant of the broader phenomenon of corporate capture that has found its way in the trade union movement.

There has been an increase in divisions and fragmentation not only in the aftermath of the 2008 economic crisis of capitalism but also as a result of the variant of corporate capture that has found its way into the trade union movement and linked with it the phenomenon business unionism. Business relationships that thereupon emerge, with workers seen as a lucrative market of financial and other products sold by private corporations, but as well as business opportunities associated with worker funds, including trade union investments and other financial resources, are a serious problem. The progressive trade union movement must stand up against the challenge and overcome it!!

We should not give an inch to the possibility—in all our formations, throughout the state and in any centre of struggle and power—of victory by the class forces and elements that have been captured and by those that have captured them. Such a tragic victory will disrupt the perspective of placing the national democratic revolution on to a second, more radical phase. It will sound the death knell of the dream and strategic imperative of a successful national democratic revolution.

It cannot be correct for some few elements to use their positions of leadership to prioritise defending one single family—and its acquaintances—that is amassing wealth from a web of corrupt relationships and decisions made in state institutions, state deployments and state-owned enterprises. We must defend public resources and the basic wealth of our society, including the commanding heights of our economy, in pursuit of the interests of the masses of our people who are languishing in capitalist exploitation and high levels of inequality, unemployment and poverty.

**These are some of the reasons why as the SACP we are, until now the lone voice, calling for a judicial commission of inquiry into the phenomenon of corporate state capture.** That other political parties, and commentators are rejecting the call should not stop us from pressing ahead with it. We must push this call consistently until and after all others realise the importance of marching in the vanguard, the strategic imperative to defend our country against corporate state capture, with the establishment of a judicial commission of inquiry into the phenomenon a key priority.

The scope of the commission we are calling for is not limited to the allegations of the amassing of wealth by the Gupta family. However, given the specific concerns raised about its conduct, the Gupta family must certainly be investigated as part of the scope of the commission. There must be a thorough scrutiny of each and every contract, tender or license that the Gupta family members and

their associates have acquired from the state, as part of the broad spectrum of the scope and depth of the work of the commission we are calling for.

- *Comrade Solly Mapaila is an uMkhonto weSizwe veteran and SACP Second Deputy General Secretary. He delivered this address to SACTWU National Bargaining Conference 21 March 2016 in Cape Town in his capacity as Second Deputy General Secretary of the SACP.*

**Umsebenzi Online is an online voice of the South African working class, now publishing at least once every week.**

# **SACP, COSATU MARCH AGAINST STATE CAPTURE**

South Africa, Saturday 23 April 2016, 5:21pm

## **SACP Secretary General Blade Nzimande Led a March in Durban and Hhas said State Capture is a Reality**

**JOHANNESBURG** – Cosatu President Sidumo Dlamini and SACP General Secretary Blade Nzimande led Alliance members on a march through Durban on Saturday in an effort to confront the issue of state capture.

SACP and Cosatu members painted Durban's streets red and black as they marched through the city's CBD. Organisers claimed that over 100,000 people participating in the march.

Their purpose was to protest alleged state capture in South Africa by big businesses.

Protestors called for the liberation of the financial sector, which they say would benefit the marginalised working class.

Many within the alliance argue that the issue of a state capture by corporate entities is non-existent. **However, SACP Secretary General Blade Nzimande said that state capture is a reality in South Africa and must be recognised at the highest level.**

**“Whoever leader is going out and saying that this idea of corporate capture is not a problem or doesn't exist is not speaking the truth because that it's a matter that was discussed in the Alliance,”** Nzimande said.

The march concluded at Gugu Dlamini Park, where a memorandum of demands was handed to a government official.

No members of the ANC regional or provincial leadership were present at the march.

- eNCA

# **STATEMENT AGAINST CORPORATE STATE CAPTURE AND CORRUPTION**

**Delivered in Johannesburg by Dr Blade Nzimande, the SACP General Secretary, during the Cosatu National Economic Development and Labour Council Section 77 Protest Action.**

**Wednesday, 27 September 2017**

The SACP wholeheartedly opposes corruption and corporate state capture and partly associated with the two evils lack of investment in the productive sector, job losses, unemployment, poverty and inequality!

We call on COSATU and other organised workers. Let's defend public ownership and workers' funds, to support development and democratic national transformation! Let's organise the unorganised workers to build maximum working-class unity, power and hegemony, to deepen our democratic dispensation, build a capable democratic developmental state and defend the state against corporate, corrupt, mafia and criminal capture.

It is the SACP, since the launch of its Financial Sector Transformation Campaign, over 17 years ago, that has consistently been urging workers to get closer to their retirement funds, how and where they are invested, and who is financed from the funds. The SACP is happy that the trade union movement is getting closer to playing a more active role.

One of the immediate tasks facing the South African workers is to confront decisively the unrevealing manoeuvres by parasites

to capture the almost two trillion rands of government employees' pension fund administered by the Public Investment Corporation.

The workers of this country, Black and White united, regardless of which trade union they belong to, must drive out the parasites from all the key levers of public power that they have gained access to. State-owned enterprises, public entities and regulatory authorities, whether it is SABC, SAA, Transnet, PRASA/Metrorail, PetroSA, Eskom, Telkom, Denel, the SA Post Office, Sentech, USAASA, the Central Energy Fund, SARS, and so on, have been encircled by capitalist greed and plundering through corruption and state capture. This problem has become systemic and is found at different levels of state organisation.

Instead of national production development and democratic transformation, state-owned entities are surgically sliced into tenders. They are being used to enriching a few individuals in the name of all, Africans in particular and Blacks in general. There is another dimension to the plunder: the involvement of conservative forces and monopoly capital.

MultiChoice, for example, a subsidiary of Naspers, the mouthpiece of the Broederbond, the ideological vanguard of apartheid, has become very rich. It is a digital and satellite pay television monopoly. The SABC, our public broadcaster, is, on the other hand, bankrupt. It is seeking a bailout, when in fact it has been exploited to enrich MultiChoice, the parasites and others in different self-enrichment and patronage networks.

The Guptas are, of course, a serious problem that we must confront as a matter of urgency. The independent judicial commission, first called for by the SACP, and which the former Public Protector prescribed as a remedial action, must be established as a matter of urgency. In fact, as urgent as yesterday. The Guptas and their networks must be held accountable for their deeds.

In the same vein, we must hold accountable all others involved in corrupt dealings and corporate state capture. Domestic-based private companies, foreign controlled transnational corporations such as the KPMG, Bain & Co., and others, and the SARS commissioner who colluded with the KPMG to concoct the fiction of the so-called “SARS rogue unit” used to dismiss officials from work. The same must apply to others involved in perversion, corruption, and state capture.

The workers and poor are on the receiving end of unelected corporate rule, state capture and corruption. Thousands and thousands of workers are unemployed because of these problems. Thousands in the mining sector are now facing retrenchment because of corporate greed. We must fight this scourge, if we are to defend democratic national sovereignty, if our country is to become prosperous!

**Let’s build a capable democratic developmental state to serve the people wholeheartedly!**

In 1994, we achieved our national democratic breakthrough under a very difficult situation. The imperialist regime of neo-liberal globalisation was on the rise. The agenda, pushed mainly by transnational corporations in general, with finance monopoly capital in particular playing a dominant role, attacked trade regulation, pushed for deregulation of national economies in order to allow private monopoly capital to do as it pleases. Capitalist bosses and their mouthpieces pushed for the privatisation of state-owned enterprises, outsourcing of state functions, casualisation of workers and all sorts of temporary employment relationships, including labour brokering.

**The SACP says: Down with labour brokering down!**

In our country, instead of a democratic developmental state with

internal technical and professional capacity, as well as strategic discipline to serve the people wholeheartedly, a different form of state was gradually fostered after 1994, based on the agenda of privatisation of state assets and outsourcing of state functions. In short, our post-1994 state has become a tender state. Almost everything that remained in the hands of the state is centred on and is organised through tenders.

The state can, in fact, deliver on many of its functions on its own without the privatisation and outsourcing agenda, if its productive capacity and strategic discipline were not hollowed out by tenderisation. Tenders are used to enrich a few individuals in the name of everybody - particularly the abused name Black people. Ironically, it is Black people in general who are ruthlessly exploited by tenders.

Further, while the mineral resources of our country have been restored to the ownership of the people as a whole, with the state acting as our custodian, the reality is that this is undermined in many ways. The state's custodianship of our mineral wealth is more centred on issuing out mining licences to privately owned companies that eventually assume control of our mineral resources through their ownership of the profit derived from the resources.

Very recently, a mining charter strengthening privatisation of ownership through the so-called free carry-shares for individuals was released. The SACP says NO: We must use ownership transformation in the mining sector to assert the Freedom Charter's principle: The mineral wealth of our country belongs to the people as a whole. There must be national ownership development in mineral resources as opposed to enriching a few in the name of all. Water and other business licenses issued by the government are firmly entangled in the regime of the tender state and cannot be left enriching a few individuals and large corporations. The reason why many people remain poor and unemployed is because of the system

of the self-enrichment by a few, who use national resources and/or privately amass the wealth produced by the labour of exploited workers. The SACP says this entire regime of robbery must come to an end! There must be peace, transformation, development and prosperity for all - especially the direct producers of wealth, the working class.

Corruption and post-1994 capture by corporations, of sections of, and corruptible, public representatives, public office bearers, public sector officials, board members and executives of state-owned entities and development finance institutions, all anchored on the tender state, have become widespread. Instead of independent decision-making to serve the people, the networks of captured individuals make decisions that are primarily motivated by private interests based on tenders.

Some of the captured individuals were appointed to their positions because of the influence of private business interests that had captured their appointing authorities and them. Concerned about the rot, three years back, in 2014, **the SACP became the first organisation to point out that our country was facing the problem of corporate state capture, and linked with it, increasingly, cancerous levels of corruption.** While the SACP used the terminology before, it was in November 2014 that it did so more vehemently through its Augmented Central Committee statement.

Taking its cue, in June/July 2015, the Alliance National agreed, through its declaration, that South Africa was facing the problem of corporate capture and steps needed to be taken to confront it. We all committed ourselves as the Alliance, without exception, to do our best to uproot the problem. It is a deviant tendency that there is now a factional network that argues there is no such as thing as state capture.

We call on all South Africans, Black and White united, most especially the majority class, the working class, to deepen the struggle against corporate state capture and corruption. Together, let's make our government, and our state as a whole, to serve the people wholeheartedly, as opposed to private corporate, personal, family or factional interests.

**We must deepen the struggle to reclaim public power from parasites on all fronts!**



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