



## TWO YEARS OF RAMAPHOSA: WHERE DO WE STAND?

### 1. Introduction

Two years ago, on 18 December 2017, Cyril Ramaphosa was elected president of South Africa's governing party, the African National Congress. Two months later, he became President of the country following Jacob Zuma's resignation. Seven months ago, Mr Ramaphosa led the ANC to a fairly comfortable election win, with 57.5% of the vote. This was down on the 62% that it won in 2014, but up from the low-point of 54% that it secured in the 2016 local government elections.

Mr Ramaphosa and his supporters were quite open that his campaign for leadership of the ANC – and the national presidency that follows automatically – was based on the urgent need to rescue the country from the ruinous nine-year reign of Mr Zuma, characterised as it was by a near-total breakdown in the values of accountable governance, by the phenomenon of 'state capture', by wholesale corruption, and by the systematic weakening and co-option of purportedly independent institutions such as the police, the National Prosecuting Authority, the SA Revenue Service, and others.

At various times after December 2017 Mr Ramaphosa indicated that he needed time to make interventions. For example, his first cabinet, announced in February 2018, contained some ministers who had been firm Zuma accomplices; Mr Ramaphosa said that this was a temporary cabinet that would take the country to the May 2019 elections. He appointed various commissions of enquiry, and expanded the mandates of others, and promised to act on their recommendations. He also committed himself to make much-needed appointments to the boards of State Owned Enterprises (SOEs), and to resolving

leadership crises at SARS, the NPA, the Hawks, Crime Intelligence and elsewhere in the machinery of state, but he did not rush into any of them. So, two years after Mr Ramaphosa's ascent to power, and as we end the 25<sup>th</sup> year of democracy, where does South Africa stand? Has the new broom done its work?

### 2. Governance

There have been a number of clear improvements in this area since Mr Ramaphosa took over. Among them are the following:

#### 2.1. Cabinet

Almost all of the most under-performing, corrupt and/or incompetent of Mr Zuma's ministers have been removed from office. The worst of them were dropped by Mr Ramaphosa as soon as he became President, others were dismissed in a reshuffle in November 2018, and by the time the post-election cabinet was announced in May this year only one or two Zuma loyalists were left, all in fairly junior portfolios. At the same time, a core of untainted ministers was given some of the most important posts – Tito Mboweni (Finance), Pravin Gordhan (Public Enterprises), Aaron Motsoaledi (Home Affairs), Ronald Lamola (Justice), Naledi Pandor (International Relations and Co-operation) and Jackson Mthembu (Planning, Monitoring and Evaluation).

What Mr Ramaphosa failed to do was to reduce the size of the executive significantly enough. The number of full ministers went from 35 under Mr Zuma to 28, but there are still 34 deputies, only

four less than before. This remains a bloated cabinet, much larger – and more expensive – than the cabinets of some much bigger countries, and inappropriate for a country struggling with unsustainable levels of state expenditure.

## **2.2. Commissions of Enquiry**

The Zondo Commission of Enquiry into state capture was instituted by President Zuma (at the recommendation of the Public Protector) but Mr Ramaphosa significantly extended its terms of reference in order to give it real clout. He also instituted three other judicial commissions of enquiry, into SARS, the situation at the NPA, and the Public Investment Corporation respectively. The last-mentioned, as well as the Zondo Commission, have not yet completed their work, but the others have, and Mr Ramaphosa acted on their recommendations very promptly, dismissing Tom Moyane as head of SARS, and Advocates Jiba and Mrwebi from their senior posts at the NPA. The Mpati Commission is due to report this month, and the Zondo Commission will probably sit until well into 2020. We may expect that Mr Ramaphosa will act expeditiously on their recommendations too, but in a sense that is only half of the point of these commissions. The other half is that there is now abundant precedent for this kind of independent, professional and credible method of investigating public sector governance failures. Each commission that successfully completes its enquiry, and has its recommendations acted upon, paves the way for the next one, ultimately makes the prosecution of offenders easier, and – hopefully – acts as a deterrent against future maladministration.

## **2.3. Senior appointments**

Most of the crucial new appointments made by Mr Ramaphosa were credible and well-received: Shamila Batoyi as the head of the NPA; Edward Kieswetter at SARS; Godfrey Lebeya at the Hawks, for example. More recently, the politically risky step was taken of appointing a white male to the post of CEO at the country's biggest SOE, Eskom. In direct contrast to the Zuma era, in none of these cases, nor in a string of more junior ones, is there any sign that political connectedness, patronage, malleability or a willingness to turn a blind eye to malfeasance is behind the appointments.

It is frequently noted, of course, that despite these apparently sound appointments, we still have not seen much action – no high-profile arrests for

state capture offences, no major tax prosecutions by SARS, and certainly no light at the end of the tunnel (or elsewhere, most days) for Eskom. The reason seems to be that, while the new bosses may be people of integrity and diligence, the institutions they head were so thoroughly infected by the state capture virus that it is taking far longer than anticipated to weed out compromised officials and to find enough competent and dependable ones to carry out investigations and prepare prosecutions.

As for calls for Mr Ramaphosa to 'speed up the process', this would simply undermine the very independence that he has sought to restore to these institutions. At a certain point, if Batoyi, Lebeya, Kieswetter and others prove incapable of turning their institutions around, the President would be justified in replacing them. But that point has not yet been reached.

## **2.4. Other appointments**

Unfortunately, it is not all positive news when it comes to issues of governance. The ANC still appears unable to give proper effect to its repeated commitments to avoid deploying people who are subject to allegations of wrongdoing, or whose past failures and incompetence are notorious. In the last few weeks we have seen:

- the selection of Geoff Makhubo as the new mayor of Johannesburg, despite corruption allegations against him which are still being investigated by the party's own integrity commission;
- the appointment of Bathabile Dlamini, who came within a hair's breadth of destroying our social security system two years ago, as the new head of the Social Housing Regulatory Authority;
- the choice of Adv Kholeka Gcaleka as Deputy Public Protector, despite concerns about her role as legal adviser to former finance minister Malusi Gigaba at the time when he was found to have lied under oath;
- the recommendation of former Msunduzi (Pietermaritzburg) mayor, Zanele Hlatshwayo to be the head of the Public Service Commission, even though the ANC itself removed her from the mayoralty after the collapse of the municipality; and
- the appointment of Siphokazi Ndudane as head of the Eastern Cape's department of rural development and agrarian reform a

few days after she was fired by the national department of fisheries for allegedly stealing R7 million worth of abalone.

President Ramaphosa may be doing his best to install credible and dependable leaders in the national executive, and in the senior echelons of the civil service and the independent institutions, but his efforts will bear little fruit as long as his party insists on rewarding failure and corruption with fresh appointments to lucrative positions.

### **3. The Economy**

The damage to our democratic institutions and processes of governance that has been caused by a decade of state capture and by 25 years of cadre deployment, ANC hubris and entitlement, and by the knowledge that, however poorly it performed, it would win the next election, can theoretically be undone by a return to constitutional values, proper procedures, and the appointment of independent and capable officials. As argued above, there is much evidence that this is what Mr Ramaphosa is doing; the ship of governance can indeed be turned away from the rocks.

The economy presents a much more difficult challenge. The problems are more long-term and structural in nature, and government cannot address them by simply dismissing someone here and appointing someone else there. To make matters worse, government has demonstrated a greater capacity to harm the economy than to help it, and there is little sign that this situation is likely to change; nor that government even realises how close to shipwreck the economy is.

However, before considering Mr Ramaphosa and his government's role in our economic crisis, it is only fair to note that South Africa faces a number of economic threats that are neither of our making nor amendable of our resolution.

#### **3.1. External economic forces**

The trade war between the USA and China; Brexit; emerging market 'jitters'; concerns about slower growth in China – all these things impact negatively on our economy, whether through a weaker currency leading to imported inflation, or by reducing demand for our exports. South Africa is far more integrated into the world economy than most developing nations of our size, and we

have a free-floating, easily-traded currency. In good times, this helps us, but when the international economic winds are foul, we can find ourselves in danger of being swamped. And nothing that our government says or does will change Mr Trump's mind or alter the course of Brexit.

#### **3.2. Drought and climate change**

Periodic failures of rain have been blamed for our economic woes for decades, even centuries. Sometimes this may have been just a convenient excuse, but in recent years it has become a frightening reality. The predictions by climate change experts that much of southern Africa will experience lower rainfall and higher temperatures, are being borne out. Among the worst affected areas are the regions where maize is grown, but almost all our agriculture has been negatively impacted. Africa bears almost no responsibility for causing this drastic climate change, yet it stands to be the worst affected continent.

#### **3.3. Decline in mining**

South Africa's economic growth in the 20<sup>th</sup> century was based very largely on mining, gold, platinum and diamonds in particular. We have now practically exhausted our reachable gold reserves, the platinum price is stagnant, and the diamonds have virtually run out. We still mine huge amounts of iron ore and coal, and we have much of the world's chrome, manganese and other base metals, but in all these cases we are at the mercy of international commodity cycles. If these are not in our favour, we suffer, in the same way that all economies do when they fail to diversify sufficiently.

These forces beyond our control would be bad enough on their own, but the government has contrived its own set of threats.

#### **3.4. State Owned Enterprises**

There are over 200 SOEs in SA, and a number of them are well-run and effective. These are mostly smaller ones which we don't hear about much. Of the larger ones, the Airports Company (ACSA) and Transnet, the freight rail operator, are profitable and deliver a good service. For the rest, it is largely a catalogue of disaster: the SABC, SAA, the Post Office, the Passenger Rail Agency (PRASA), Petro SA and, dwarfing all the rest in size and in the

danger it poses, Eskom.

The parlous condition of most SOEs, and the seeming inability of the government to take obvious, if unpopular, steps to get them back on track, is the single biggest danger facing the country. Thus, while it is not possible in a short paper to analyse in detail the depth of the problems affecting SOEs, and the causes of these problems, it is necessary to give some space to an attempt to understand how we ended up in the current disastrous situation.

There are certain common factors at work in almost all of them; in the years of state capture, for example, SOEs were seen as cash cows by the Gupta family and their associates, including of course Mr Zuma and his circle. He ensured that enough pliable, and downright corrupt, people were appointed to their boards to ensure that tenders and contracts flowed in the expected direction. As long as the money was forthcoming, Mr Zuma and his government (and, it has to be said, the majority of the ANC's leadership) had no interest in the long-term sustainability of these companies.

But it is a mistake to think that the SOEs' problems started under Mr Zuma. To take one example, the corrupt arrangement by which the ANC's investment arm, Chancellor House, acquired an interest in the engineering firm Hitachi, just before Hitachi received a massive tender for building boilers at Medupi and Kusile power stations, happened while Mr Zuma was in the political wilderness in 2007.<sup>1</sup> Hitachi subsequently paid a fine of US\$19 million, effectively admitting its guilt; the ANC has admitted nothing.<sup>2</sup>

The policy of cadre deployment, in terms of which the first criterion for appointment is the person's relationship to the ANC, rather than his or her experience or qualifications, has also contributed, as it inevitably must, to the treatment of SOEs as political instruments rather than providers of public services. This too, is something that long predates the Zuma era.

There has also, over the years, been a too-enthusiastic application of various affirmative action policies. No one can seriously argue that it was not necessary to change the demographic make-up of SOEs' management and workforces, but it is clear (and concerns were expressed at the time) that too many highly-skilled, mostly white,

people were encouraged to leave before a sufficient number of newly-employed, mostly black, people had had a chance to acquire the skills and experience need to replace the former.

Despite all the evidence that the state is not capable by itself of running large, complex and challenging businesses like SAA, Eskom, and PRASA, the government still displays an outdated attachment to a statist ideology; talk of privatisation, even partially, is routinely dismissed. It is ironic, therefore, that a matter of days after President Ramaphosa declared that the Medupi and Kusile power stations were gems that would never be privatised, first one, and then the other, went out of service. One does not have to be a free-market fundamentalist to realise that our SOEs urgently need injections of capital, skills, resources and creative thinking of the kind that the state simply cannot supply. And yet the government clings to the notion that it just needs more time to come up with yet another plan and thereby turn things around.

This combination of factors has brought most of the major SOEs to their knees, to the point where South Africa finds itself with:

- a rail service that transports a fraction of the passengers it carried previously;<sup>3</sup>
- a Post Office that delivers mail erratically and far more slowly than it did decades ago;
- a national airline that is in business rescue;
- a feeder airline (SA Express) that was grounded in 2018 for safety concerns and in 2019 for financial reasons;
- an effectively bankrupt national broadcaster; and
- an electricity monopoly that employed 48% more people in 2017 than it did in 2003, while producing only 4.5% more electricity.<sup>4</sup>

Eskom carries a debt of over R450 billion, and it does not earn enough from sales of its only product to service this debt. At the time of writing, load shedding was in place, hovering between stages 4 and 6. This means, apart from massive inconvenience and economic disruption, that even less electricity is being sold, and the cycle of decline will continue.

Against this appalling background the government continues to insist that it is in control

of the situation. Minister Gordhan refuses to contemplate the key intervention needed at Eskom, the reduction of its grossly excessive wage bill, saying that it would be 'irresponsible' for government to put '16 000 people out of work'. The really irresponsible position, it might be argued, is the failure to face up to the political cost of these relatively few retrenchments and thereby risk many hundreds of thousands of jobs being lost as factories, mines, shops, restaurants and hotels all cut back on numbers and gradually go out of business. Government has also done nothing practical to address the widespread culture of non-payment for electricity. The unpopularity of prepaid meters is such that the political price of imposing them on consumers is deemed too high; and such is the level of dysfunction at the bulk of the country's municipalities that even if they wanted to pay Eskom they lack the money to do so.

There is little or no sense that Mr Ramaphosa and his government grasp the depth of the problem that the governing party has created in its handling of SOEs since 1994. As Eskom nears the brink of collapse, the Minister of Minerals and Energy, Gwede Mantashe, is still talking about nuclear power being 'in the mix' – something we neither need, nor can remotely afford. SAA was placed in business rescue 'voluntarily' only after the Solidarity trade union threatened to go to court to force the issue; and yet, government shows no inclination to place Eskom in rescue while there is still time for it to be saved.

### **3.5. State expenditure**

For many years now, public service unions have managed to achieve above-inflation wage increases for their members. According to the National Treasury, the average wage of civil servants increased by 40% in real terms between 2009 and 2019.<sup>5</sup> As a result, government's wage bill now accounts for R340 out of every R1000 of revenue. In addition, roughly R100 more is spent paying interest on the national debt, which is about double the amount spent on housing or tertiary education, and 50% more than is spent on health.<sup>6</sup> The cost of servicing the debt is growing very quickly, as is the size of the debt itself, now over 60% and scheduled to reach nearly 70% in two years' time.<sup>7</sup>

All of this is unsustainable, and is likely to result in the much talked-about credit rating downgrade early next year; which will simply increase the

cost of government's borrowing and thus also the amount it has to spend on interest. Once again, as with the SOE situation, there is little evidence that government grasps the scope of the problem, or that it has a clear and urgently implementable plan to halt the declining outlook for our public finances.

### **3.6. SARS**

The SA Revenue Service was once the jewel in the post-apartheid state's crown. It was efficient and responsive, and it regularly exceeded its revenue targets. Indeed, it was precisely its effectiveness and professionalism that meant that the state capturers had to bring it under their control. This was achieved under Mr Zuma by the appointment of Tom Moyane as Commissioner, along with the assistance of gullible and complicit sections of the media which propagated stories about 'rogue units' and all sorts of imagined improprieties featuring some of the very people who had made SARS the exemplar it was.

Now, SARS struggles to meet even its reduced revenue targets and its hard-won positive reputation among taxpayers has long since evaporated. Just at a time when government needs every revenue cent it can find, its chief source of funds is struggling to cope. The new Commissioner, Mr Kieswetter, seems to be working hard to improve matters but, as with Adv Batoyi at the NPA, the institution's malaise runs very deep and it will take a long time for it to recover completely.

This devastating combination of self-inflicted wounds and external assaults is testing our resilience as a country as never before since 1994. It is far from clear that Mr Ramaphosa's government sees a way out of the economic quagmire we are in; or, if it does, that it has the political will and strength of character to lead us along it.

## **4. Other Parties**

By virtue of its outright electoral majority the ANC continues to dominate Parliament and its committees, and the executive (notwithstanding Mr Ramaphosa's clever move to declaw Patricia de Lille by offering her a cabinet post), but this does not mean that the other parties are of no importance. On the contrary, it might have been

expected that the opposition would have benefited from voters' annoyance with the ANC after the scandals of the Zuma years.

This did not happen. It seems that the official opposition, the Democratic Alliance, hit its ceiling of support more or less when it got to 20% of the vote. That it went all the way to 26.4% in the 2016 municipal polls was probably due to the Zuma effect; and its decline to 21.5% in 2019 was simply a function of the absence of the Zuma effect or, much the same thing, the presence of the Ramaphosa effect. The fact is that the DA, which in the Western Cape has provided the cleanest and most efficient provincial government for some years, cannot convince sufficient numbers of black voters to support it.

The DA's reaction – or over-reaction – to its relatively slight set-back in the May elections is unlikely to help it in this regard. Instead of capitalising on the ANC's obvious weaknesses, it has managed to lose its first black leader; to bring back Helen Zille, a contentious and divisive figure for all her many significant achievements of past years; to alienate Herman Mashaba, admittedly a prickly individual, but one who gave them massive brand recognition in Gauteng; to lose the mayoralty of Johannesburg and mess up that of Tshwane; and generally to take on board its own caricature: a party of mostly white, mostly male, suits, assuming a right-of-centre stance and engaging in abstract debates about 'classic liberalism'. These moves may help it to win back some of the conservative white voters who seemingly deserted it for the Freedom Front Plus, but as far as growth is concerned that is a dead-end strategy.

The EFF performed solidly in the election, growing from just over 6% in 2014 to 10.8% in 2019. This is by far the best showing by any of the ANC-breakaway parties (UDM, COPE, EFF) but at the same time it is still only a fraction of what the EFF needs if it is to fulfil its self-proclaimed destiny of ruling the country. There is no indication that it will keep up this rate of growth, and even if it did, it would take another five or six elections to reach a majority.

The EFF's route to power, or a share of power, must therefore, like the DA, involve coalitions or agreements such as those experimented with in Johannesburg and Tshwane since 2016. Results have been mixed, and there is not much evidence that the EFF was able to sway things in its favour in those metros.

There is evidence, though, and a growing amount if it, of corrupt dealings involving the leadership of the EFF. Although no charges have yet been brought, it is probably only a matter of time before Julius Malema and Floyd Shivambu, at least, will have to explain how so many dodgy financial dealings point in their direction. Mr Malema has another legal worry – he has been charged with the unlawful possession and discharge of an AK47 machine gun. This is potentially a far more serious matter than is realised, since it carries a minimum sentence of 15 years' imprisonment.

There is little to be said about the other opposition parties. Some of them will continue to make a contribution to Parliament that far exceeds their modest numbers of seats; others will simply enjoy their paycheques. Together, they do help to broaden the representivity of the legislature, and to keep alive some key values and issues that would otherwise receive no attention. But the real dynamics are within the ANC, and between it and the two larger opposition parties, one trying to pull it towards the centre, the other exerting populist pressure. The ANC is big enough to resist both, as long as it remains sufficiently united.

## 5. Conclusion

The two years since Mr Zuma's departure from power have seen definite strides made to restore good governance, and even though he has been criticised for moving too slowly, Mr Ramaphosa must be judged to have acted wisely and prudently in this regard. Most of his major appointments have so far proved sound, he has made good use of commissions of enquiry, and he has refrained from interfering where it would be inappropriate.

Regrettably, this spirit of integrity in governance seems not to have filtered down to the lower levels of his party, and too many disgraced or suspect individuals still find a comfortable home in organs of state controlled by the ANC. This unethical application of the cadre deployment policy does untold harm both to social delivery and to standards in public life.

In the area of the economy Mr Ramaphosa has failed to mirror his achievements in governance. The ANC still clings to an unworkable model of state enterprise, and it has been far too slow to respond to the various crises that are crippling SOEs and, through their failure, undermining the

whole economy. It is quite possible that Eskom will collapse in the coming year. It is almost certain that South Africa will lose its investment grade rating. We will remain effectively in recession. National debt will continue to climb. Most worryingly, while it is clear that Mr Ramaphosa and his most senior associates know what is needed in the field of governance, and are by and large prepared to do it, they do not know how to deal with our economic crises; and worse, they are not yet prepared to admit their ignorance.

It is therefore in the area of economics that we must identify the main threats to the country's future, and it is in the boardrooms and the executive suites of the SOEs in particular that Mr Ramaphosa's new broom must begin to sweep clean. If he fails in this sector then all his other achievements will count for very little.

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**Mike Pothier**  
**Programme Manager**

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<sup>1</sup> [https://www.dailymaverick.co.za/article/2019-12-09-twelve-years-of-load-shedding-written-starring-directed-by-the-anc/?utm\\_medium=email&utm\\_campaign=First%20Thing%20Monday%209%20December%202019%20Mercury%20FX%20%20Wits&utm\\_content=First%20Thing%20Monday%209%20December%202019%20Mercury%20FX%20%20Wits+CID\\_e3390d2d8f847f34ad370c866976f73a&utm\\_source=TouchBasePro&utm\\_term=Twelve%20years%20of%20load%20shedding%20%20written%20starring%20and%20directed%20by%20the%20ANC](https://www.dailymaverick.co.za/article/2019-12-09-twelve-years-of-load-shedding-written-starring-directed-by-the-anc/?utm_medium=email&utm_campaign=First%20Thing%20Monday%209%20December%202019%20Mercury%20FX%20%20Wits&utm_content=First%20Thing%20Monday%209%20December%202019%20Mercury%20FX%20%20Wits+CID_e3390d2d8f847f34ad370c866976f73a&utm_source=TouchBasePro&utm_term=Twelve%20years%20of%20load%20shedding%20%20written%20starring%20and%20directed%20by%20the%20ANC)

<sup>2</sup> That may be changing. NEC member and former deputy finance minister, Mondli Gungubele, admitted recently that, "It's us who messed up Eskom... it happened under our watch." See <https://www.news24.com/SouthAfrica/News/its-us-who-messed-up-eskom-former-deputy-finance-minister-mondli-gungubele-20191210>

<sup>3</sup> <https://www.news24.com/SouthAfrica/News/40-of-metrorail-trains-are-out-of-service-20190516>

<sup>4</sup> <https://africacheck.org/reports/eskom-and-the-viral-infographic-do-the-numbers-add-up/>

<sup>5</sup> <https://businesstech.co.za/news/finance/350391/the-rise-and-rise-of-public-servants-pay-in-south-africa/>

<sup>6</sup> <http://www.statssa.gov.za/?p=11983>

<sup>7</sup> <https://www.bloomberg.com/news/articles/2019-10-30/bailouts-to-push-south-africa-s-debt-ratio-above-70-of-gdp>



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