
LITERATURBERICHT | REVIEW ARTICLE

State Capture in South Africa

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The concept of *state capture* is not new.¹ Already in 2007, the Stockholm-based International Institute for Democracy and Electoral Assistance (IDEA) observed that the “majority of African governing political parties are still heavily dependent on the direct or indirect (the embezzlement of public funds to finance elections) use or abuse of government resources”. In many cases, ruling parties “rely on the state resources to exact patronage in order to maintain the party organization and management”. Thus, “politics itself becomes a means to an end, devoid of any idea of protecting public interests vis-à-vis private gain”.²

- 1 Review of the following titles: Pieter-Louis Myburgh: *The Republic of Gupta. A Story of State Capture*. Cape Town: Penguin Random House 2017, 444 pp.; Jacques Pauw: *The President's Keepers: Those Keeping Zuma in Power and Out of Prison*. Cape Town: Tafelberg 2017, 423 pp.; Stephan Hofstatter: *Licence to Loot. How the plunder of Eskom and other parastatals almost sank South Africa*. Cape Town: Penguin Random House 2018, xii + 270 pp.; Ivor Chipkin/Mark Swilling et al.: *Shadow State. The Politics of State Capture*. Johannesburg: Wits University Press 2018, xxvi + 159 pp.; Robin Renwick: *How to Steal a Country. State Capture and Hopes for the Future in South Africa*. London: Biteback Publishing 2018, xxii + 298 pp.; Pieter-Louis Myburgh: *Gangster State. Unravelling Ace Magashule's Web of Capture*. Cape Town: Penguin Random House 2019, 390 pp.
- 2 All quotes International Institute for Democracy and Electoral Assistance: *Political Parties in Africa: Challenges for Sustained Multiparty Democracy*, Stockholm 2007, p. 21. A different take on state capture was developed a few years earlier within the World Bank by people who observed how companies in post-Cold War transition countries exerted influence on states. See J. S. Hellman/G. Jones/D. Kaufmann, “Seize the State, Seize the Day”. *State Capture, Corruption, and Influence in Transition*. Washington DC, World Bank etc. 2000 (= Policy Research Working Paper; 2444).

South Africa is no stranger to this dynamic. Under Apartheid, corruption was rife, both in the European settler dominated polity, but also in the so-called “Black Homelands”. With the transition to a post-apartheid political order during 1989 to 1994, many people were hoping in vain for the creation of a less corrupt society. Since April 1994 the African National Congress (ANC) is in power now, confirmed in six consecutive general elections. The former liberation movement still enjoys an absolute majority of votes, although in recent years the number of eligible voters who have given up participating in elections has outgrown support for the ANC. The country has become a dominant-party state with rapidly declining levels of popular support.³

In particular under President Jacob G. Zuma, who was at the helm of both government and party from 2009 to 2018, South Africa has seen unprecedented levels of corruption – Zuma, his ANC faction and networks of businessmen have perfected the art of state capture. At the heart of this state looting conspiracy were three brothers of Indian descent who had migrated to the county in 1993: Ajay, Atul, and Rajesh “Tony” Gupta. Operating from their fancy compound in 1 Saxonwold Drive, Johannesburg, they became the string-pullers of much of the state capture under Zuma – they bank-rolled the president and his family, they effectively decided on cabinet appointments (such as the minister of finance), and they were allowed to massively enrich themselves through state tenders issued by an array of parastatals, or state-owned enterprises (SOEs). Part of this happened in broad daylight under the watchful eyes of constitutional Chapter 9 institutions (“State institutions supporting constitutional democracy”).⁴

The current government of M. Cyril Ramaphosa – he took over as state president in February 2018 (and already had succeeded Zuma as chief of the ANC in December 2017) – is trying hard to drain the swamp of corruption. But at the same time, it is heavily relying on political support from corrupt ANC cadres and factions around former president Zuma and ANC secretary-general Elias Sekgobelo “Ace” Magashule. To investigate the extent of state capture, in August 2018 Ramaphosa appointed a *Commission of Inquiry into Allegations of State Capture, Corruption and Fraud*, led by deputy Chief Justice Raymond Zondo. The commission has called on many witnesses and suspects to look into the looting of parastatals in transport (Prasa, Transnet, and the national carrier SAA),

3 See Roger Southall, The South African elections of 1994: The remaking of a dominant-party state, in: *Journal of Modern African Studies* 32 (1994) 4, pp. 629–655; and, by the same author, The “dominant party debate” in South Africa, in: *Africa Spectrum* 40 (2005) 1, pp. 61–82.

4 Rampant corruption has been detailed by Public Protector Thuli Madonsela who was head of the ombudsmen-like investigation authority from 2009 to 2016, before she had to give way to a successor, Busisiwe Mkhwebane, who has become an instrument of Zuma’s to fight his enemies and favour his allies. See Madonsela’s two devastating reports, Public Protector: *Secure in Comfort: Report on an Investigation into Allegations of Impropriety and Unethical Conduct Relating to the Installation and Implementation of Security Measures by the Department of Public Works at and in Respect of the Private Residence of President Jacob Zuma at Nkandla in the KwaZulu-Natal Province*. Pretoria 2014 (= Report No. 25 of 2013/2014); and Public Protector: *Capture of the State. Report on an investigation into alleged improper and unethical conduct by the President and other state functionaries relating to alleged improper relationships and involvement of the Gupta family in the removal and appointment of Ministers and Directors of State-Owned Enterprises resulting in improper and possibly corrupt award of state contracts and benefits to the Gupta family’s businesses*. Pretoria 2017 (= Report No. 6 of 2016/2017).

electricity (Eskom), and the prison system (Bosasa). Since 2020 evidence produced before the commission is directly admissible in a court of justice.

Some four years ago, a handful of investigative journalists started shedding light on the details of the ANC's state capture. Their work has been instrumental in exposing widespread corrupt practices. They laid the groundwork for today's coverage by the country's quality press on evolving court cases and the evasive acts of the main culprits. With two exceptions (written by a non-South African observer and South African academics, respectively), the books reviewed here stand testament to a great tradition in South Africa's liberal press which precedes the end of Apartheid. Presently, this tradition is continued, among others, by the *amaBhungane* Centre for Investigative Journalism.⁵ Partly, the books under review here tend to overemphasize the "positive" role Ramaphosa has played or can play – given the fact that he has been part of the ANC machinery right from the beginning (he was secretary-general under Nelson Mandela, 1991–1997, and has served as deputy president under Zuma since 2014).

Pieter-Louis Myburgh, *The Republic of Gupta. A Story of State Capture* (2017)

The author is a University of Stellenbosch graduate and award-winning investigative journalist who started his career at the Afrikaans *Beeld* newspaper in Johannesburg. Later he worked with the weekly newspaper *Rapport*, before moving on to *News24*, an online news publication. Myburgh is well-known for exposing in 2015 a corrupt multibillion-rand contract for new locomotives at the Passenger Rail Agency of South Africa (Prasa). Published in April 2017, the book is one of the first detailed accounts of the extend of state capture in South Africa. The role of the notorious Gupta family has played in the Zuma shadow state takes centre stage in this book. Although already operating in the country for quite some time, the Gupta family's activities only made it to the headlines at the beginning of 2016 when Mcebisi Jonas, a former deputy minister of finance (2014–2016), disclosed how the Guptas offered him a substantial amount of money and the job of minister of finance in October if only he followed their own agenda (for many years the portfolio had been under Pravin Gordhan who strongly opposed state capture practices within the ANC but had to leave in May 2014, only to step in again in December 2015 after Zuma had appointed one of his cronies to head the ministry who then only lasted in office for four days – meanwhile international trust in to the country's economy and its management plummeted).

But Myburgh's story starts far earlier, sometime in 1995, when the first contacts between the Gupta and the Zuma families developed. The strength of his account is the detailed analysis of how the Guptas managed to weave a web which ensnared Zuma and his sons, in particular Edward and Duduzane. Allegedly Atul Gupta started paying the school fees for some of Zuma's sons – at a time when Zuma was not yet the big man he was to become (i.e., before he was elected deputy president of the ANC in December 1997). Myburgh suggests that the Guptas were already making inroads into South African politics

in 1996 under President Thabo M. Mbeki when Ajay became a member of an advisory council to the president. Of course, all the dodgy deals of the Guptas are part of this book: From Transnet, Oakbay Investments and coal mining, to Eskom. And also their role as owners of *The New Age* newspaper and the Indian wedding which turned into “Waterkloofgate” are not missing. Part of the debate on state capture in South Africa always was about who actually called the shots in this family-to-family relationship, the Guptas or the Zumas. Whatever the case may be, within a few years the Guptas became one of the richest families in South Africa.

Jacques Pauw, *The President's Keepers: Those Keeping Zuma in Power and Out of Prison* (2017)

Pauw is an award-winning South African journalist and author. He was a founding member of the anti-apartheid Afrikaans newspaper *Vrye Weekblad* in 1988, and later became head of investigation at *Media24*. One of his early scoops was the exposure of the Vlakplaas police death squads under the infamous Eugene de Kock and the counterinsurgency unit C10 he led outside of Pretoria to either recruit spies or murder anti-apartheid activists.

The President's Keepers (released in October 2017) could be mistaken for a suspense thriller, only that it deals with the real-life clandestine policy networks Zuma nurtured to protect himself. Blow-by-blow, Pauw describes how the State Security Agency (SSA) under the direction of Arthur Fraser, the South African Revenue Service run by Tom Moyane and many government ministries became part of a “shadow Mafia state” controlled by Zuma and his accessories. Zuma even managed to turn custodians of South Africa's democracy, such as the National Prosecuting Authority (NPA) under Shaun Abrahams, into henchmen which were haunting the president's many enemies. During Zuma's reign, state agencies started working against each other. In this context, it is important to recall that Zuma – a member of the armed wing of the ANC, *Umkhonto weSizwe* since 1963 (at the age of 21) – became head of ANC intelligence in 1986, still during the period that is mythologized as “the struggle”. He was a master of this particular trade. And, by the way, a cease-and-desist order issued by the SSA to prevent the book from being sold failed. Pauw also reveals how the Gupta brothers exerted influence on the appointment of strategic positions in law enforcement agencies. Though their investment, the author holds, was not about politics, but purely about money. Here Pauw developed a theme which was picked-up in the following years by fellow investigate journalists.

Stephan Hofstatter, *Licence to Loot. How the plunder of Eskom and other parastatals almost sank South Africa* (2018)

Hofstatter is another award-winning investigative journalist who has worked with, among others, *Business Day*, the *Financial Mail*, the *Sunday Times*, and the *Mail & Guardian*. His book is a detailed account of how Zuma cronies managed to squeeze out billions of Rand from the national Electricity Supply Commission (Eskom) which was established in 1922. In anticipation of future coal supplies under CEO Brian Molefe, Eskom has given the Gupta family \$40 million upfront to buy the Optimum coal mine. Shortly be-

fore this transaction, Zuma's son Duduzane had become a shareholder in Gupta's mining company Tegeta. Hofstatter also shows how before the looting of Eskom, Transnet – the parastatal that runs the country's ports, railways, and pipelines – had been used as a blueprint to fine-tune the art of diverting huge amounts of money to offshore accounts, using consulting companies for advising on how best to organise state capture. Among others, Transnet bought heavily overpriced locomotives, with suspected kickbacks going into Gupta offshore accounts. The Transnet CEO from 2011 to 2016 was – Brian Molefe; the chief financial officer was Anoj Singh, who later played a similar dubious role at Eskom. Not only according to Hofstatter, a key broker and associate of Zuma in organising state capture was Malusi Gigaba – first in his role as minister of public enterprises (2010–2014; he appointed Molefe as Transnet CEO) and later as minister of finance (2017–2018, when he replaced Gordhan). Gigaba systematically developed opportunities for procurement procedures to benefit the Gupta network. SOE tenders became the main means for redistributing the country's wealth; locally the new class of businessmen which capitalised on their links to the Guptas and Zumas is known as “tenderpreneurs”. Hofstatter's investigation into this saga is another very readable contribution to the genre of South African non-fiction polit-thriller.

The case of Eskom in the state capture saga is highly symbolic as it stands for the rotten state of the economy, and the incapability of the ANC to deliver public goods for the majority of impoverished citizens. As many other state-owned enterprises, for instance South African Airways, Eskom is highly indebted: in late 2019, its debt amounted to \$26 billion. And at the same time Eskom is highly dysfunctional and constantly fails its purpose. In 2007, it had to introduce what in South African idiom is called “load-shedding”: failure to generate enough power resulted in daily power rationing. Still in 2020, Eskom was not able to guarantee stable energy production: “In 2020, load shedding occurred for 859 hours of the year (9.8%)”.⁶

Ivor Chipkin and Mark Swilling et al., *Shadow State. The Politics of State Capture* (2018) This academic contribution to the debate recaps a series of three important breakthroughs in exposing state capture. First, the South African Council of Churches (SACC) on 18 May 2017 released a report of an “Unburdening Panel” comprising evidence of whistle-blowers who told church leaders about their experiences of state capture.⁷ Second, only a few days later, the State Capacity Research Project released its report *Betrayal of the Promise: How South Africa Is being Stolen*.⁸ And, third, the so-called #GuptaLeaks files of e-mails incriminating the three brothers were broken to the media, allowing for detailed insights into the state capture project.⁹ This publication recalls the events behind this series of revelations and highlights the main findings known by July 2018.

6 BusinessTech [Johannesburg], 16 March 2021 (quoting a report published by the Council for Scientific and Industrial Research, CSIR).

7 See <http://tcn.org.za/whites-to-whites-w2w/unburdening-panel-process/> (accessed 24 March 2021).

8 H. Bhorat et al., *Betrayal of the Promise. How South Africa Is Being Stolen*. Stellenbosch 2017.

9 <https://www.gupta-leaks.com>. This website is run by the *Daily Maverick*, *amaBhungane* and *News 24*.

Chipkin is the founding director of the Public Affairs Research Institute linked to the University of the Witwatersrand and the University of Cape Town. He was an associate professor at the University of the Witwatersrand. Swilling is a Professor of Sustainable Development in the School of Public Leadership, Stellenbosch University. He is also co-director of the Centre for Complex Systems in Transition (CST) and a member of the Board of the Development Bank of Southern Africa. In 2019, he was appointed by the government to the Reference Group of the National Anti-Corruption Strategy of South Africa. The book is a collective effort which also includes the work of Haroon Borhat, Mbongiseni Buthelezi, Sikhulekile Duma, Nicky Prins, Lumkile Mondi, Camaren Peter, Mzukisi Qobo, and Hannah Friedenstien. The foreword to this rather short publication is written by Mcebisi Jonas, the deputy minister of finance who helped exposing the Guptas (see above). The research project was coordinated between the four universities of Witwatersrand, Johannesburg, Cape Town, and Stellenbosch.

Being the academics they are, Chipkin and Swilling develop a systematic “model of a patronage network that extracts and administers rents” (p. 20). It brings together the “controller” (or strongmen) with the brokers, mobility controllers and dealers which made possible state capture. In the following many of the above-mentioned schemes are summarised, from Transnet’s locomotive deal, to Eskom, to the South African Social Security Scheme (Sassa). This volume neatly summarises the evidence brought to light by the above discussed investigative accounts. Embedding their analysis in an account of macro-economic policies since the mid-1990s, the authors discuss how “state capture by shadowy elites has profound implications for state institutions” (p. 133): destroying trust in the state, weakening the economy and eroding confidence in the economy. In the end, they are calling for a new, broad-based economic consensus and a “trust compact” (p. 138) that would allow to address the many inequalities in the country.

Robin Renwick, *How to Steal a Country. State Capture and Hopes for the Future in South Africa* (2018)

This is the only author discussed in this review who is not a South African investigative journalist or academic. Renwick (born 1937), or Baron Renwick of Clifton for the Royal Borough of Kensington and Chelsea (1997–2018), was political advisor to the Governor of Rhodesia in 1980 and later the United Kingdom’s High Commissioner to South Africa (1987–1991) and subsequently Ambassador to the United States (1991–1995). He has authored books on the South African liberal icon Helen Suzman, the end of apartheid, US Secretary of State and presidential candidate Hillary Clinton, as well as British Prime Minister Margaret Thatcher. *How to Steal a Country* is illustrated with a number of great cartoons by Jonathan Shapiro *aka* Zapiro (actually, a collection of his cartoons – mainly published in the *Mail & Guardian* and, since December 2016, in the *Daily Maverick* – has been released in 2018 as an illustrated history of state capture).¹⁰

10 See Zapiro (with Mike Wells), *wtf... Capturing Zuma – A Cartoonist’s Tale*. Johannesburg 2018.

In his book Renwick describes “the rapid descent of political leadership in South Africa” (p. ix) from Nelson R. Mandela to Jacob G. Zuma. His account is not a piece of investigative journalism, but still building on the work of Pauw and others, as well as a careful reading of the South African press. The author provides a well-written and succinct narrative of state capture seen through the eyes of someone who is closely familiar with the country, but an outside observer. At the same time, Renwick is looking for the silver lining on the horizon and perspectives beyond state capture – reminding the reader that it was Cyril Ramaphosa who, on behalf of the ANC, helped negotiating the 1996 democratic constitution of the country. But Renwick also acknowledges that from a historic point of view Zuma played a positive and constructive role in the transition to a post-apartheid society and the handling of political conflicts in KwaZulu-Natal. Yet he also describes him as a “gregarious, polygamous teetotaler” (p. 43).

Renwick manages to sketch the bigger context of South Africa’s post-apartheid political economy with an elegant pen by closely following the various characters and their very personal interests which, in the end, created what he calls the “predator state” (p. 193). He also reminds the interested reader that “corruption had become endemic before [the Guptas] appeared on the scene [...] they were merely exploiting an opportunity” (p. 280). In his account Renwick profited, among others, from having key actors, such as Pravin Gordhan, commenting on draft chapters. (From an academic point of view, one would have preferred a more systematic referencing, though.)

Pieter-Louis Myburgh, *Gangster State. Unravelling Ace Magashule’s Web of Capture* (2019)

This is a follow-up to Mybergh’s first book on state capture and the Gupta family. His latest book focuses on one of the most important political allies of Jacob Zuma, the former Free State Premier (2009–2018) and current secretary-general of the ruling party, “Ace” Magashule. *Gangster State* is a detailed reconstruction of how Magashule step-by-step built his local power base, from ANC branch to branch, from ANC region to region, to finally become Premier. The book is a tale of crony capitalism and widespread corruption, often involving family members and friends, which earned Magashule the nickname “Mr Ten Percent”. Among many others, Mybergh highlights the dodgy involvement of the then prime minister in an R255 million “asbestos audit” contract awarded by the province’s Department of Human Settlement.

The political and moral weakness of the ANC was fully brought to the open at the ANC’s 54th national conference held in December 2017. Ramaphosa was running for the position of ANC president against Nkosazana-Dlamini Zuma, ex-wife of Jacob Zuma (who previously was a fairly well-reputed government minister and also the chairperson of the African Union Commission, 2012–2017). Ramaphosa beat her by a very small margin of 179 out of 4,701 valid votes. Exactly one half of the ANC’s Top Six leadership comprised of Zuma allies and compromised party members like Magashule (who won in a controversial election with just 24 votes over his competitor), deputy president David Mabuza and deputy secretary-general Jessie Duarte (apart from Ramaphosa, national chairperson Gwede Mantashe and treasurer general Paul Mashatile are considered to

be rather integer politicians). Years of systematic state looting through capturing state office have turned the ANC into a very weak organisation with little capacity to enforce any code of conduct on its own leadership. Magashule's ascent to the centre of political power, Mybergh argues, "reaffirms the organisation's reckless nonchalance with regards to its image and reputation" (p. 14).

Factions of the party remain in a serious state of denial and defiance. In April 2019, a book launch of *Gangster State* in Johannesburg was forced to shut down because ANC Youth League members supportive of former president Zuma and "ANC secretary-gangster" Magashule (p. 341) stormed the venue ripping apart books and disrupting proceedings; in other places, Youth League members threatened to burn the book.

According to President Ramaphosa, the looting of the state under Zuma's reign has cost South Africa an estimated \$34 billion.¹¹ Pressed by the president in August 2020, the ANC decided that party officials formally charged with corruption and other serious crimes must immediately step aside from all leadership in the party and in government. In December 2020, the Integrity Commission of the ANC called on its own secretary-general to immediately step down from all positions.¹²

Meanwhile, the Guptas fled South Africa in February 2018 after arrest warrants were issued. They are now residing in Dubai, UAE. Briefly serving as minister of home affairs under President Ramaphosa, Gigaba resigned from all offices in November 2018. Public Protector Busisiwe Mkhwebane herself has now become subject of a parliamentary inquiry into the possible removal from office.¹³ While Magashule was preparing his campaign to run for the ANC presidency ("branch by branch...") and finish the Zuma project of unhindered state capture by the ruling party, on 5 May 2021 he finally got suspended as ANC secretary-general, at least temporarily until the charges against him have been settled. Zuma is still refusing to appear before the Zondo Commission of Inquiry. And new levels of corruption have been registered around inflated tenders which were meant to help the country dealing with the SARS-CoV2/Covid-19 pandemic. *Plus ça change, plus c'est la même chose.*

Yet on a more positive note, Pravin Gordhan – who over the years was kept busy by fending off attacks coming from an alliance which included the Directorate for Priority Crime Investigation (the so-called "Hawks"), KPMG (sic!), and the Public Protector over an investigation unit and alleged fraud at the South African Revenue Service (SARS) – was appointed Minister of Public Enterprises to clean up some of the mess. The struggle for the heart of the ANC continues. At this stage (16 May 2021) it remains an open question whether a Ramaphosa-led government and ruling party are able to steer the country on a development path beyond primitive accumulation and state capture.

11 BusinessTech [Johannesburg], 14 October 2019.

12 Daily Maverick [Johannesburg], 15 December 2020.

13 See Daily Maverick [Johannesburg], 17 March 2021.