Comment & Analysis

Christine Lagarde, above, is the current president of the European Central Bank, a position she has held since 1 November 2019. Prior to this appointment, she was the managing director of the International Monetary Fund. The World Bank, whose headquarters in Washington DC are shown here, left. Pictures: Stephen Jaffe/IMF via Getty Images & 123rf.com

SA needs to know who it is paying and for what

An open letter to finance minister Enoch Godongwana about SA's international loans

Dear minister Enoch Godongwana

As you prepare for your first budget speech we urge you to provide the South African public with a full picture of how the government has used the resources it has received from international financial institutions (IFIs) and to announce the establishment of a South African IFI engagement group.

We, the undersigned, are deeply concerned about the lack of transparency and consultation surrounding the more than $7bn (about R106bn) SA has borrowed from IFIs, namely the International Monetary Fund (IMF), the World Bank, the African Development Bank (AfDB) and the New Development Bank (NDB). We call on you to remedy this situation by creating a South African IFI engagement group that will facilitate discussions between civil society and the government about issues of common concern relating to SA's relations with IFIs.

Lack of transparency of IFI debt

Since the beginning of the Covid pandemic in March 2020, SA has received $4.3bn (R64.5bn) from the IMF, $2bn (R30bn) from the New Development Bank, $288m (R4.3bn) from the African Development Bank, and $750m (R11.3bn) from the World Bank. The country also received approximately $4bn (R60bn) in IMF special drawing rights (SDRs). All of these funds, except for the SDRs, have been provided as direct budgetary support to the South African government with minimal restrictions on how the money is spent. The SDRs were added to SA's foreign reserves.

This means that in the past two years, SA has incurred approximately $7bn in new debts that will need to be repaid in the coming years. The country has incurred these new obligations without any transparent or accessible process of public consultation or publicly available studies of the expected impacts of these loans on poverty, public health, job creation or social welfare.

This is surprising because, at least in the case of the World Bank in its policy on development policy financing, it is meant to advise the member state, in this case SA, to "consult with and engage the participation of key stakeholders in the country". The policy stipulates that the key stakeholders include "social groups directly affected by" the loan.

The World Bank seems to think that the South African government did engage in such a consultation process. In paragraphs 101-104 of its supporting documentation for the loan, the World Bank states that the South African government has consulted with business, labour and communities through the National Economic Development & Labour Council on its "borrowing requirements from the IFIs". The document also stipulates that the World Bank has consulted with relevant government entities at national and sub-national levels and with "academia, civil society organisations, youth groups and organised business". It concludes, in paragraph 104, that these consultations "confirmed the full alignment" between the World Bank's and the government's diagnostics and priorities. However, it provides no details on these consultations or on how it confirmed this "full alignment".

It is encouraging that at least one of the IFIs acknowledges the importance of public consultations in formulating development policies. However, we think that the World Bank's description is unduly complacent. Most, if not all, community groups and many civil society organisations that work on these issues were neither informed about the process nor offered an opportunity to participate either in writing or orally. This means they were all deprived of the opportunity to engage with the government about these loans and their social, economic and environmental implications for SA.

This is also concerning because the government did not release any information about its assessment of the social, economic or environmental impacts of these new financial commitments. While the urgency of the pandemic may have made it difficult for the government to do such assessments in advance of taking out these loans, there is no justification for it not having done so — and making the findings publicly available — almost two years after the onset of the pandemic.

The combination of the inadequacy of the consultation process and the lack of publicly available assessments of the impacts of these loans raises concerns that the government and these lenders may have failed to account for all the positive and negative impacts of these loans on particular social groups. It also increases the risk that they are over-estimating the expected net benefit of these loans and have failed to identify relatively simple measures that could mitigate their negative impacts or enhance their positive impacts.

The South African IFI engagement group

Civil society has proposed that the National Treasury could reduce the risks caused by its current opaque and exclusionary procedures applicable to SA's relations with the IFIs by establishing a South African IFI engagement group. The purpose would be to facilitate a frank and open exchange about SA's relationship with the IFIs and their operation in the country

As stated in our proposal, the members in the group should consist of representatives of the Treasury, other government stakeholders and members of civil society. These participants should be selected to ensure that they are the most knowledgeable about and most interested in the issues on the agenda for each meeting. The civil society representatives would come from all organisations, including universities, think-tanks, religious communities and civil society organisations interested in IFI issues. The members of the group could propose any issue for discussion at the group's meetings that relate to SA's engagement with any of the IFIs in which SA is a member.

Such IFI engagement groups are not unprecedented. They exist in countries such as the US and the Netherlands, where they have been credited with enhancing the efficacy of these countries' engagements with the IFIs and with promoting reforms in the accountability and operations of the IFIs. A South African engagement group could similarly improve the efficacy of SA's engagement with these institutions, for the benefit of both South Africans and the African continent.

* Endorsements: Louisa Zondo, interim executive director, Oxfam South Africa; Marianne Buenaventura, global impact programme manager, Oxfam SA; Daniel Bradlow, professor of international development law & African economic relations, Centre for Human Rights, University of Pretoria; Amy Giliam, branch manager, African Climate Reality Project; Ariella Scher, head of business & human rights, Centre for Applied Legal Studies; Khabonina Masango, co-ordinator, Fair Finance SA; Glen Tyler-Davies, team leader, 350.org; Hameda Deedat, acting executive director, National Labour and Economic Development Institute; Khanyisile Litchfield-Tshabalala, chair, Africa Parliamentary Network on Illicit Financial Flows & Tax; Leanne Govindsamy, attorney and programme head: corporate accountability & transparency, Centre for Environmental Rights; Mandla Radebe, acting executive director, Economic Justice Network; Olivia Rumble, director, Climate Legal; professor Imraan Valodia, pro-vice chancellor: climate, sustainability & inequality, Wits University; Raymond Matlala, executive director, Brics Youth Association; Sibulele Poswayo, executive director, Inequality Movement; Simamkele Dlakavu, lecturer, University of Pretoria; Sonia Phalatse, researcher, Institute for Economic Justice; Taurai Chiraerae, executive director, Global Action for Africa's Development; Yared Tsegay, acting executive director, African Monitor; Owen Ndidi, provincial co-ordinator, Eastern Cape Environmental Network

RAY McCAULEY

The president must act to regain the trust of the people

On Thursday February 10, President Cyril Ramaphosa addressed the nation to review progress made and outline the government's plans for SA's coming financial year. To say the president and his government have their work cut out for them would be an understatement, as the government is facing huge mountains to climb to bring our country back on track.

The president addressed the nation just after receiving parts 1 and 2 of the Zondo commissions's state capture report, which revealed how systematic corruption destroyed many state-owned entities and how these were repurposed to benefit a few, leaving our country in a state of paralysis. This rampant corruption has reversed gains achieved from the dawn of our democracy. The deliberate looting, systematic corruption, mismanagement and abuse of state resources has broken the trust between the government and the people. Corruption in our country has been normalised and made part of our daily lives by certain people.

Even though Ramaphosa touched on the National Prosecuting Authority (NPA) in his speech and expressed his confidence in it to further investigate and prosecute those implicated in the Zondo commission's findings, it is hard to believe his promises because the proof on the ground is quite the opposite. A lot of evidence came through the commission's testimonies, and if the NPA was serious about dealing with these crimes those people would be wearing orange overalls by now.

Ramaphosa's tough talk on corruption and promising to deal with the people who have been implicated in corruption has been nothing but tough talk, without tangible action. South Africans are fast losing confidence and trust in the president's promises. The only way he can regain this trust is to give a clear message on what action will be taken and how the money lost will be recouped. People are tired of promises without action.

Another task facing the president is to inspire confidence in his leadership. South Africans are not naive, nor oblivious to the challenges he faces — sometimes from his own party, never mind opposition parties. People fully understand what he inherited when he took office. However, in his address I did not get the sense that his hands are firmly on the steering wheel. It is a huge concern to many of us that our president does not appear to be decisive on serious matters affecting South Africans.

People are looking for Ramaphosa's strong leadership to take us out of the messy situation we find ourselves in as a country. He is our commander-in-chief and the captain of this ship, and he must lead the way. He must rise above party politics, including divisions in his own party, and pull our country into a unity of purpose.

When it comes to the economy, the president made some good points but did not go far enough to show how, practically, he will revive the economy, which has been battered by the Covid pandemic.

Another urgent task facing the president is the rising rate of unemployment. It has gone beyond crisis point. I was shocked when the president said: "We all know that government does not create jobs. Business creates jobs ... the key task of government is to create the conditions that will enable the private sector ... to grow." While this may be true, it was misplaced, and it was said at the worst of times and at the risk of being misinterpreted — which is what happened.

The ruling party has been promising jobs to the people since the dawn of democracy, and the president cannot in the middle of our unemployment crisis say the government "doesn't create jobs". Our government has and should always play a key role in addressing unemployment. The private sector will not overcome it alone, nor will the government. All stakeholders are needed to deal with this crisis.

South Africans have put their hopes in you, Mr President. Please lead us. We will continue to pray for our president. *Morena boloka setjhaba sa heso.*

* Pastor McCauley is president of Rhema Family Churches and chair of the National Religious Leaders Council

WILLIAM GUMEDE

Ramaphosa wasted his first 100 days in power

In countries with two-term presidential limits, the major presidential successes are generally achieved during the president's first term, when power is at peak, with power dissipating in the second term. Second terms usually turn into lame-duck ones as the jockeying by potential successors for power undermines the implementation of new reforms.

The phenomenon of the first 100 days in which new presidents at the peak of their power aggressively introduce their priority policies is based on the fact that presidential powers peak in the period immediately after securing power; they face the least resistance from opponents and are still riding the popular public wave of their presidential victory.

Successful presidents also make painful compromises that are in the interests of the country but not in the interests of their parties or constituencies in their first year.

The complexity of structural reforms is such that they take long to take effect and their impact and consequences are only felt after several years. Therefore, making important presidential decisions in the first year also allows these decisions to mature over the next four years.

By the time of the second term, poor policies during the first term undermine the power of presidents with regard to the state, business, civil society and ordinary citizens.

Former US deputy treasury secretary Roger Altman said: "One of the oldest rules of presidential management is, take your pain up front."

He has squandered his 'Ramaphoria' period, when his popularity was at its peak and resistance within the ANC against him was at its lowest

This general trend of presidents having their maximum power in their first terms is not good for President Cyril Ramaphosa's presidency. He has squandered his "Ramaphoria" period, when his popularity was at its peak and resistance within the ANC against him was at its lowest.

Ramaphosa's strategy so far has been to focus on consolidating power in the ANC and the government during his first term after his narrow presidential victory at the ANC's 2017 national conference, hoping to build a secure base to win a bigger party electoral power base in the second term and then go all out to implement reforms.

However, this strategy is built on wrong assumptions. Strategically, Ramaphosa lost the opportunity to force through difficult structural reforms when he was at the peak of his powers in the first year of his presidency. His presidential power has been rapidly dissipating since — and will dissipate further, faster.

Given that this is a year when the ANC is having its national elective conference, in which the party elects its president and leaders, Ramaphosa's power in the ANC and government is already reduced. Governing will essentially come to a standstill as ANC leaders and government officials wait to see if he will be re-elected as ANC president or whether a new challenger will oust him.

Ramaphosa is likely to win the ANC's presidency at the December conference, but is unlikely to win with a significantly larger mandate than in his win at the 2017 Nasrec conference. This means the dynamics of presidential power in the ANC will remain the same in his second term as in his first term: with a small winning margin and his opponents still powerful in the ANC. His second term may well be the same as his first.

In his first term his presidential style has been based on placating allies and foes alike in "unity", "consensus" or "social pact" governments where every faction is represented but with no clear presidential governing focus when the country desperately needs direction.

The ANC has become a party-state, in which its leaders believe the ANC is synonymous with the state. The run-up to this year's elective conference will paralyse the party but also paralyse the state, as there is no difference between the ANC and the state.

Furthermore, the ANC's losses in the November 2021 local government elections have diminished not only its power in the state, public and markets, but the president's power also. Nevertheless Ramaphosa, even though his power is dissipating rapidly, must establish priorities — key structural reforms that have a catalytic impact across several sectors — and bring all his focus on these to make a difference before he becomes a lame duck.

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