

24 January 2023

Mr Cyril Matamela Ramaphosa
President of the Republic of South Africa

Per email: president@po.gov.za; malebo@presidency.gov.za; musi@dpme.gov.za

Dear President Ramaphosa,

Re: Changes to Cabinet

As an expected reshuffle of your cabinet approaches, we write to set out business's views on the key characteristics of new ministers that we believe are required to resolve the complex challenges our country faces. Business remains a committed partner to government to deliver on priority interventions, and we hope to work with a cabinet of accountable leaders who demonstrate unquestionable honesty and integrity.

We need a cabinet able to drive urgent implementation across a broad range of areas with detailed knowledge of the complex issues to resolve. We must ensure that the new cabinet inspires confidence from the public as well as business so investor sentiment improves dramatically.

There are a number of characteristics we believe all ministers should have:

- They need to be intellectually inquisitive and able to seek out global best practice and expertise, and synthesise this with local conditions. They must be able to listen and assess complex, often competing, claims with an open mind in the best interests of all South Africans. They must be willing to change their views in the face of evidence.
- Top performing ministers must have a focus on policy, but also on ensuring delivery. This includes the whole eco-system of reporting entities, policy making functions, regulators and others. Consultation and decision-making processes need to be followed properly but swiftly and must not detract from decisive and urgent implementation. Ministers also need to work with parliament to fast track key pieces of legislation, many of which are about to arrive in the National Assembly.
- Ministers must be mindful of the need for careful and credible stakeholder communications – this does not mean going through the motions or referring every issue into NEDLAC, but that the timelines to implementation for the solutions to many of our crises require a credible, energetic sense of communication and stakeholder management. Given the slow pace of implementation of reforms historically, many investors simply don't believe our plans. To shift this view, they will need to see consistent on time delivery of these milestones. This communication should be two-

way, so that we can support ministers with rapid feedback from business and others to support change.

- Ministers must also recognise the imperative of government working in a real partnership with business to get things done. They must be willing to use all available resources, including those outside government both domestically and internationally.

While all departments play an important role in government, in our view there are a handful which are fundamental to the functioning of our economy and require special attention and consideration. The success, or otherwise, of these ministries in the next two to three years will determine whether we can rebuild hope and confidence in our economy, so we would like to single them and comment on each in turn.

Ministry of Mineral Resources and Energy

- There will be particular focus on this ministry in your reshuffle from business and international investors. Business is deeply concerned about the slow progress of energy procurement and reform at DMRE, and the apparent lack of united commitment from the whole of government to the good work by the National Energy Crisis Committee.
- The Minister should not be a flag waver for any particular energy technology, but needs to be a champion for speed, pulling stakeholders together to unblock problems and pushing new investment into systemic enablers like grid transmission. The complexity of our crises requires someone who can assemble teams of advisors and implementers in a department that can assess and resolve highly complex and interrelated problems based on the evidence.
- We must also not lose sight of the importance of the mining and minerals component of this portfolio. Our mining sector is in serious decline, despite the opportunities created by international demand for green commodities and periods of high prices for precious metals. South Africa has proven resources that could underpin significant new mining investment, but investors require the right policy environment, energy security and confidence in the logistics system. There is currently no substantial new exploration and development happening.
- Given the distinct issues facing energy and mining, we recommend you consider again separating these two ministries (though below we also suggest some combinations of other ministries).

Ministry of Transport

- The logistics crisis our country faces is also critical, although citizens do not experience this crisis as directly as they do the electricity crisis. Business does experience the economic impact of the crisis, with ports, road and rail logistics infrastructure in a poor state and badly managed. We have lost our competitive advantage in these areas to other countries in Africa.
- A new Minister of Transport will need to be alive to the rapidly worsening financial and operational crises at Transnet. He or she will need to move at speed to support DPE with new powers and regulatory structures that are already being formed. There is a wealth of international best practice that can easily be called upon (indeed, we see this happening outside the ministry, in the Presidency).
- Overall, the ministry will need to take its policy functions related to Transnet and the rest of the logistics system far more seriously.

Ministry of Trade, Industry and Competition

- As a general comment, we are concerned that industrial policy is currently treated as a zero-sum game between stakeholders as opposed to trying to find win-win situations that benefit all.
- The executive authority over DTIC needs to be more fully integrated into the department with joined up thinking. DTIC regulatory and policy making processes are currently cumbersome and do not inspire confidence given the speed with which the world is changing – systemic change in the vehicles sector is but one example.
- They must see business as a critical partner, not as an adversary, understanding the opportunities and constraints in the real business world.

Ministry of Public Enterprises

- There is significant alarm from business about moving SOEs to line departments given the capacity and conflict of interest issues that would arise. Equally, however, DPE has not functioned well in recent years. The excellent Eskom Roadmap issued at the end of 2019 has not been championed while Transnet and other SOEs have declined further.
- Through the reshuffle we believe it should be made clear what the work of the Presidential SOE Advisory Committee says on the role of DPE, a sovereign holding company and related issues – and clearly set a pathway from the appointment of a Minister through to a new steady state for SOEs.
- Most importantly, political interference in SOEs should be minimised. The Minister should see the boards of directors of SOEs as the appropriate instruments to drive reform of SOEs through their management teams, ensuring they can deliver and holding them accountable to do so while enabling their independence.

Ministry of Finance

- The ministry has been an example of effective delivery. Still, certain points in the long run are worth making. In particular, while all government policy should be clearly separated from the policies of the party, this has been particularly concerning in the context of Treasury. Contested issues like the SARB's mandate and social security reform can have dramatic fiscal consequences and policy decisions of the party should not be allowed to be perceived as determining government policy without appropriate processes.
- The need to finance the fiscus in more innovative ways to crowd in financing from the private sector (onshore and offshore) remains important. We believe there are excellent opportunities to do so in solving for our infrastructure investment needs as well as the Just Energy Transition.

Ministry of Police

- The application of the rule of law is essential to the business environment, including being seen to be proactively engaged with issues like economic sabotage. There has been positive progress in restoring institutions of the criminal justice system over the last few years. However, the police services must now also confront a wave of organised crime including threats to key public and private infrastructure.
- It is particularly important that crime intelligence services are rebuilt to challenge organised crime. There must also be closer cooperation between communities, businesses, SOEs and police services to confront criminal elements and ensure safety.

The debate has raged since you took office, Mr President, over the size of the cabinet. This is complex given the lack of state capacity in many areas which theoretically could be supported by good Ministers and deputies overseeing the turnarounds of various departments. But in business as well as the public sector, the reality is that a small and focused team can achieve much more than a large and unwieldy group. Given the crises we face, a tighter "war-room" cabinet targeted at reforms and united around rapid solutions to implementation blockages could be more effective.

To ensure a focused team and minimise cost, some ministries could be combined, such as small business and trade and industry; sports and tourism. Regardless of the size of cabinet, we strongly urge you to again put in place detailed performance agreements with ministers which are published and allow the public to hold ministers to account. The previous such exercise proved very worthwhile in our view.

Within this context, the role of the Presidency remains important and can be strengthened further with oversight and accountability mechanisms. The Presidency should also be overseeing SOEs through a sovereign holding company rather than individual line departments to avoid conflicts of interest between policy making and shareholder ownership. But expectations of the Presidency can be overplayed, which is why we think it is important that accountability for delivery is shared by Cabinet as a whole. We believe the Presidency must play a role in cross-cutting issues like governance and management of SOEs, but we must guard against the Presidency taking on roles that should be the purview of ministries. Lack of performance by a minister cannot be sustainably addressed through the Presidency doing what the ministry should have done. This is where accountability and consequence management is critical.

We have taken the time to write to you on this topic because it is an issue of acute concern to business in South Africa and we believe that the decisions made by you in relation to cabinet will be decisive in setting the trajectory of the country. Business needs confidence that the right executive powers are in place to effectively and timeously deal with the crises we face. Operation Vulindlela and NECOM are proving effective in working to marshal change but would be much more effective with forward looking, energetic and effective ministers to work with.

Business stands ready to work hard to support open, reform-minded ministers after they are appointed.

Kind and warm regards,



Busi Mavuso
BLSA CEO



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