



Towards a South African developmental state: The Electricity Supply Commission (Eskom) – victor or villain in this endeavour?



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ABSTRACT

Under the leadership of the African National Congress (ANC), the South African Government has long mooted the notion of becoming a developmental state in response to rising unemployment, inequality and poverty. This idea was moulded along the folds of the rise of economic growth and industrialisation, as experienced by East Asian developmental states such as Taiwan, Singapore, South Korea and Hong Kong. There would be an attempt to channel the state's administrative capacities, policies and resources towards attaining national development goals. A developmental state plays an active role in guiding economic development and using the country's resources to meet the needs of the people. State-owned enterprises (SOEs) such as the Electricity Supply Commission (Eskom) were meant to be the catalyst in the National Development Plan's (NDP) bid to reignite the country's stagnant economy. However, the country's state institutions, administrative capacities and resources have been challenged by the state capture debacle that shed light on the corrupt relationship between the political and business elite. As a lack of effective leadership, mismanagement and a complex regulatory framework appear to be at the core of the crisis at Eskom in particular, the main objective of this paper was to determine to what extent the aforementioned constructs perpetuated the energy crisis at Eskom and in turn, negatively impacted the socio-economic aims of the NDP and South Africa's endeavour to become a developmental state. To achieve this objective, the paper pursued a qualitative research approach where secondary information about the crisis at Eskom, and South Africa's goal to become a developmental state, were perused. One of the article's recommendations was that Eskom's grip on the regional power economy must end and that independent power plants must be enabled.

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Introduction

The African National Congress (ANC) enacted and promulgated various people-centred policies and strategic programmes when it came into power in 1994 (Tshishonga & De Vries, 2011: 59). The South African Reconstruction and Development Programme (RDP) proclaimed that “No political democracy can survive and flourish if the mass of our people remains in poverty, without land, without tangible prospects for a better life. Attacking poverty and deprivation must therefore be the priority of a democratic government” (South Africa, 1994). The government adopted principles of the developmental state with the belief that the state's economic intervention could enhance and strengthen its capacity to deal with the legacy of apartheid, particularly challenges of unemployment, poverty and mass inequalities (Tshishonga & De Vries, 2011: 59). Fast-forward to the 21st century, the National Development Plan (NDP) 2030 proposed a multi-dimensional framework to roll back poverty and inequality, through increased employment, higher incomes through productivity growth, a social wage and good-quality public services (South Africa, n.d). Nearly 28 years as a democratic state and the same socio-economic challenges prevail. The government is faced with numerous hurdles to gain traction for its developmental state. For one, the wheels have come off most of South Africa's key state-owned enterprises (SOEs), in particular the Electricity Supply Commission (Eskom). These enterprises were meant to be the main catalysts in the NDP's bid to

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reignite a stagnant economy. 'Leadership rot', 'management crisis' and 'regulatory rot' are terms that abound in media reports on the state of parastatals in South Africa (Mail & Guardian, 2009). The OECD (2014: n.p) echoed the aforementioned and added that:

There is a growing tendency to rely on SOEs to remedy market failures, remove direct obstacles to development and pursue structural reforms. Nevertheless, distinct challenges remain for improving SOE efficiency, including under-performance of SOEs which results in poor returns on invested government capital, and, in many cases, ongoing government subsidies. SOEs tend to be fraught with outdated governance and inconsistent ownership practices.

Returning to Eskom, in July 2015, online commentary held that the energy crisis at Eskom cost the fiscus between R20bn and R80bn per month (ka'Nkosi, 2015). Creamer Media's Engineering News reported in July 2022, seven years later, that the South African Treasury was finalising a plan to take over a portion of Eskom Holdings' R396-billion debt as part of a process to place the struggling entity on a sustainable path. However, whilst the public purse is being emptied, people are denied housing, health, education and a hopeful future. These are the fundamental socio-economic conditions that the NDP aimed to address.

As lack of effective leadership, mismanagement and a complex regulatory framework appear to be at the core of the crisis at Eskom, the main objective of the paper is to determine to what extent the aforementioned constructs perpetuated the energy crisis at Eskom and in turn, negatively impacted the socio-economic aims of the NDP and the country's endeavours to become a developmental state. In order to achieve this objective, the paper adopts an exploratory research design irrespective of the volume of existing research on the topic. The researcher maintains that with qualitative enquiry, the researcher takes a fresh look at the current leadership, management and regulatory situation at Eskom to determine why things are the way they are. Exploratory research is apt for this study as it tends to build on a large volume of evidence from media reports and other secondary information, pertinent to the study. The emphasis is thus on checking and developing existing knowledge (Denscombe, 2010; Hendrickse, 2012; Hendrickse, 2022; Saunders, Thornhill & Lewis, 2009) with the view to draw new conclusions.

South Africa: The pursuit of a developmental state

Chalmers Johnson coined the term 'developmental state' when describing states which followed a particular model of economic management and planning. It was initially used to describe post-1945 Japan and its quick growth and modernisation endeavours (Severns, 2021; United Nations Economic and Social Commission for Western Asia, n.d). Singh & Ovidia (2018: 1033) add that:

Development, often understood in economic terms as the structural transformation of the national economy, has been an elusive objective for many outside the advanced industrialised countries of the West. Despite the multitude of reforms rooted in the economic modernisation paradigm of the 1950s, very few countries have succeeded in realising sustained, rapid industrial development. The intellectual history of this debate stems from questions around which policies can deliver economic growth and why countries failed to take off and experience similar economic transition.

A central argument for a developmental state is that it assumes a dynamic role in guiding the country's economic development whilst at the same time ensuring social development (Education Training Unit, n.d.). In considering a developmental state in South Africa, it is important to focus on the country's institutional architecture and its policy orientation (Edigheji, 2010: 4). South Africa can, for example, learn lessons from the 'Four Asian Tigers' – South Korea, Singapore, Hong Kong and Taiwan - labelled as such for their achievement of quick economic growth and development. These were premised on fundamentals such as the capitalist developmental state, rapid industrialisation, a free-market economy led by exports, an educated and hardworking labour force, strong centralised states, the possibility of replication elsewhere and insight for transformation (Severns, 2021). McLeod (2022) counter the 'idealistic' notion around a balance between economic development and social development, particularly in the South African context. The author contends that socialism and a fair amount of free-market capitalism do not work. The author maintains that "instead of enabling economic growth, the state (or socialist) part of the economy, SOEs – had failed. The experiment has not worked. And persisting with this idea of a mixed economy will not lead South Africa out of the morass it's now in" (McLeod, 2022: n.p). Still, according to Turok (2010: 497):

Drawing some of the principal ideas and evidence together, effective developmental states seem to have at least three important features. First, they are capable of planning ahead and making long-term strategic decisions beyond pragmatic responses to political pressures and problems as they emerge. They have the analytical capacity to separate the causes of problems from their symptoms and consequences, and organisational capacity to focus on the underlying issues for more durable outcomes.

Whilst the aforementioned seems theoretically sound, McLeod (2022: n.p) insists that:

It is the 'developmental state' that has led to the crippling rolling power cuts that have killed economic growth, destroyed jobs and made life much more difficult for ordinary South Africans. Politicians interfered in the running of Eskom, refusing to build new power stations when they were needed. The institution became bloated and it lost critical skills through cadre deployment. State capture and looting followed, enabled by corrupt ANC ministers. The same has happened across many SOEs: Transnet, Denel, the Passenger Rail Agency of South Africa, South African Airways, the SABC, the Post Office (and) PetroSA.

This paper does not allow for a more in-depth discussion of South Africa as a development state. Eskom will be the central focus. Eskom was put forward as one of the catalysts in South Africa's pursuit to not only achieve specific NDP goals by 2030 but also in its trajectory towards becoming a developmental state. Accordingly, the discussion which follows explores Eskom's evolution, the energy crises, problems with its regulatory framework, the management structure and its leadership.

Eskom contextualised

As a result of apartheid, during the sanction years, South Africa was isolated from the rest of the world and depended on itself to provide for its needs. Economic growth emanated largely from government interventions and subsidies. Huge enterprises were created, financed and subsidised, in particular Krygcor, Eskom, Iscor, Sasol, Telkom, Mossgas, Spoornet and the South African Broadcasting Corporation (SABC) to name but a few. These monoliths were premised largely on strong bureaucratic principles, ensuring that all of the decision-making power and control remained firmly with the top echelon (Denton & Vloeberghs, 2002: 84). Eskom Holdings Limited, which has been providing South Africa with electricity since 1923, is an SOE wholly owned by the South African Government, as alluded to earlier. It is South Africa's (and Africa's) largest electricity producer, generating around 95% of the electricity used in South Africa and another 45% for other parts of Africa. It is active in all elements of the electricity supply chain; generating, transmitting and distributing electricity to industrial, mining, commercial, agricultural, and residential customers and redistributors (Eskom Holdings Limited, 2011).

The regulatory, legislative and policy frameworks in which the South African energy sector functions, are evolving. Eskom, for example, is regulated in the broader sense beyond electricity regulation. In 2002, Eskom was converted into a public entity pursuant to the Eskom Conversion Act (Act 13 of 2001) and as such the legislative framework applicable to any corporate entity in South Africa applies to Eskom. For example, the Companies Act, competition laws, labour laws and tax legislation, to mention a few. In addition, Eskom is also subject to legislation specifically applicable to SOEs, notably the Public Finance Management Act (Act 1 of 1999) (PFMA) and the Promotion of Administrative Justice Act (Act 3 of 2000). Further Acts which impact Eskom's functioning are the Consumer Protection Act (Act 68 of 2008) and the Companies Act (Act 71 of 2008). Eskom is regulated by the National Energy Regulator of South Africa (NERSA) following the Electricity Regulation Act (Act 4 of 2006). NERSA has significant influence and oversight over Eskom's business. Eskom is also subject to oversight directly and indirectly through the government as a shareholder and policymaker, as well as other regulators (Eskom Holdings Limited, 2010). Further discussion around the regulatory framework will follow later in the paper. Eskom's sheer size sets it apart from other SOEs. It is a total monopoly, which almost entirely represents the country's national electricity system. By definition, therefore, the country could not function as a recognisable society without electricity, and therefore without Eskom (De Vos, 2015). By implication, in 2015, it was felt that Eskom will continue to act in its interest against meaningful contributions from independent power producers (IPPs) (Fin24, 2015). Propositions for change were forwarded. In 2019, the *Roadmap for Eskom in a Reformed Electricity Supply Industry* was introduced (Department of Public Enterprises [DPE], 2019). This roadmap proposes to put Eskom on an entirely new trajectory. It states that Eskom's current configuration no longer suits the country's energy needs and had made the enterprise susceptible to a range of problems including state capture. The roadmap proposes restructuring Eskom into three subsidiary businesses – generation, transmission and distribution, to reduce the risk that Eskom posed to the country through its reliance on fiscal allocations and its inability to supply the economy with adequate power (South Africa, 2019). As will be evident in later discussions, the aforementioned propositions to enhance the functioning of Eskom as a whole were put on the table for discussion and explorations on many past occasions.

The NDP envisages a South African energy sector which will be efficient, reliable, competitive, and environmentally sustainable, with expanded access at affordable rates by the year 2030. In order to achieve this, the NDP forwards a 20-year planning horizon to roll out electricity infrastructure in line with Ministerial Determinations issued in terms of Section 34 of the Electricity Regulation Act (Act of 2006). The NDP and the Ministerial Determinations are key policy signals investors use to invest in the country's energy sectors (South Africa, 2019). How this will transpire remains to be seen.

The crisis at Eskom

It is important to provide a historical overview of the crisis at Eskom. Smith (2008:22) contends that:

Eskom bashing has become a national pastime. ¹Load-shedding has entered our daily parlance, if not our daily diet. But the current load-shedding nightmare is more than just about Eskom – it is mired in a decade of haggling, administrative incompetence, strategic blunders and political obfuscations.

This was reported in 2008. Today, in 2022, reporting of this nature continues. Creamer Media's Engineering News (See www.engineeringnews.co.za) for example, devotes a whole subsection of its website to the writing of articles pertaining to loadshedding. Articles span from 2008 to 2022.

So, who or what has left South Africa in the 'dark' so to speak? In 2000 and 2001, according to Smith (2008), key government officials and top Eskom executives met to chart a way forward for the South African electricity industry. At this gathering, Eskom

¹*"The South African energy crisis, most notably manifesting in the form of successive rounds of loadshedding, is an ongoing period of widespread national level rolling blackouts as electricity supply falls behind electricity demand, threatening to destabilise the national power grid"* (https://en.wikipedia.org/wiki/South_African_energy_crisis).

was blocked from building power stations that would have averted the energy crisis South Africans experience today. It was felt that IPPs should enter the fray at the time. Eskom would produce 70% of the country’s electricity and IPPs the rest. This did not materialise. A further dilemma at Eskom was that the utility was answerable to the Ministry of Public Enterprises and the Ministry of Minerals and Energy, which exacerbate red tape, and which led to a lack of critical focus, planning and coordination. There was also the misconception of power prices which led to inappropriate investment in electricity-intensive industries, while at the same time there was enormous political pressure to provide power cheaply and widely to a country where the majority of the population lacked the provision of basic services during apartheid (Kessides 2020: v; Smith, 2008). When Alex Erwin took over as the Minister of Public Enterprises, things at Eskom began to change. In October 2004, the ban placed by the cabinet on Eskom to construct more power plants was lifted and it got the green light to proceed with its building plans. This endeavour occurred a bit too late. The first load-shedding crisis hit the Western Cape in November 2005. This at the time was a foretaste of what was to come nationally, given the low energy reserve margin (Smith, 2008). The Mail and Guardian (2009) confirmed Smith’s (2008) sentiments and maintains that Eskom did not invest in its infrastructure and has sold electricity at sub-economic prices. South Africa, the Mail and Guardian (2009) contends, has benefited from cheap electricity. This situation proved untenable. Eskom has effectively run a financially unfeasible operation and disallowed the accumulation of any wealth for capital investment (Kessides 2020: v – vi; Mail & Guardian, 2009).

Furthermore, it was felt that Eskom mismanaged coal supplies, plunged the country into wide-scale blackouts (alluded to earlier), disrupted the mining industry and shut out meaningful competition (Kessides, 2020; Mail & Guardian, 2009). Da Silva (2022) reports on the same dilemma. The author likens the crisis at Eskom to that of a state of disaster and cautions that if Eskom is allowed to collapse, the economic implications would be catastrophic. Thus, Eskom poses the single biggest risk to the country as a whole. What is clear from the aforementioned discussion is that poor leadership, poor management, and a complex regulatory system negatively impacted the functioning of Eskom and led to the energy crisis currently in play. It is thus imperative to discuss these concepts in the sections that follow. Before a discussion of each concept is forwarded, it is crucial to describe the core differences between leadership and management, as per Charlton (2000) (in Murray & Verwey, 2004: 19). A theoretical framework is thus provided which informs further discussions.

Table 1: Core difference between management and leadership

Category	Management	Leadership
Change	Peacemaker (conflict avoided) Focus on stability/conservation Administers Maintains status quo	Peacemaker (conflict risked as inevitable to growth). Emphasis on change/acceptable risk Innovates Develops people
Focus	Does things right (implementer) Thinks of today (present) Focus on events	Does the right things right (combines thinking and doing) Thinks of the day after tomorrow (future) Focus on patterns underlying events
Interpersonal	Relies on systems Low level of involvement Task orientated Intellect/rational dominates	Relies on people High level of involvement People/process orientated Balance between intellect and emotional intelligence
Power	Win/lose orientation Relies on external controls Positional power emphasised Premised on the fact that others are incompetent (mechanistic view)	Win-win ‘expandable pie’ Internal self-management controls Competence emphasised Trust in innate desire of people to excel/learn
Motivation	Extrinsic - threat/external reward Responds to meaning	Intrinsic – creating a sense of ‘extra mile’ purpose Creates meaning for self and others
Self-management	Externalises responsibility Tendency to blame Tendency to be passive and wait and see	Assumes responsibility to change Active attitude to influencing at different levels
Role	You serve me Implementer Expectations (‘you owe me’)	Steward – I serve you Designer and implementer Aspirations (‘We/I can create’)

Source: Charlton (2000) as quoted in Murray and Verwey (2004: 19)

An individual exploration of leadership and management must be provided. This will explore how the expositions in Table 1 are manifested in the theoretical views of others, as well as their practical application at Eskom.

Leadership

It is important to investigate leadership, as mentioned earlier, as a crucial component of managerial and organisational success. Lekganyane and Oosthuizen (2006:240) contend that there are various perceptions of leadership. Therefore, the authors hold that it is difficult to establish one all-inclusive definition. The leadership role is sometimes considered a pure management activity, and in other cases, it is perceived as synonymous with power. Others in turn will describe a leader as a popular person (Lekganyane & Oosthuizen, 2006:240).

The only way in which leaders can be legitimate is to be role models for their followers through their actions, showing personal commitment to the values and goals established in the organisation. Successful leaders, therefore, have the ability or capacity to relate a compelling image of the organisation's vision through enthusiasm and personal buy-in. Leaders should be trustworthy before expecting the same from employees. Leaders should model the way for their employees by their value commitment, both taking personal convictions and personal skills into consideration. Not only is it imperative for leaders to be productive in their own right, but the leader must create an environment for all employees that is enabling (Van der Colff, 2003: 258)

In the context of the aforementioned, it must be determined who the leaders at Eskom are, as well as what has gone wrong in its leadership. Creamer Media (also referred to elsewhere in this text), reported on Eskom's leadership in December 2014. The article contends that several of South Africa's once world-class parastatals, amongst them Eskom, were experiencing various degrees of trouble on a scale of worrying to catastrophic. It was reported that leadership changes were to follow after months of wrangling around many dubious appointments, poor leadership performances, and in some instances court cases. At issue were the ANC's cadre deployment, patronage systems within the ANC, and the resultant skills deficit in the public sector as a whole. Cadre deployment has led to the eroding of the skill base at Eskom, yet this policy persists. Therefore, Eskom's crisis boils down to ineffective, unsuitable leaders and poor management.

Power specialist Chris Yelland seems to argue that the former Eskom CEO Brian Dames did a poor job and was not up to the challenges Eskom was facing. Then the utility had an acting CEO arguably equally unsuited to running a parastatal of such complexity and size. BizNews' Alex Hogg suggests Ian McRae was the last truly industry-bred Eskom leader with extensive hands-on experience and that the utility should again look inside for suitable leadership (Creamer Media, 2014: n.p)

It was further reported that the Eskom CEO in 2014, Tshediso Matona, was a capable manager and held top positions at the World Health Organisation (WHO). It was felt that he simply did not have any real experience related directly to the electricity industry. It was suggested that it would make much more sense to have a CEO and chairperson on the board with real industry-based experience (Creamer Media, 2014). Fast-forward to 2015 and the DPE announced the appointment of Brian Molefe as the permanent CEO of Eskom after Matona's suspension. Since January 2020, Andre de Ruyter has been the CEO (Eskom, n.d). Tandwa (2022) reports that according to Gwede Mantashe, current Minister of Mineral Resources and Energy and ANC Chairperson (in 2022), de Ruyter and the Eskom Board may not have the requisite skills to revive the ailing power utility, which fails to instil confidence in the capacity of senior Eskom personnel. The Minister also noted that the 10 black CEOs at Eskom, before de Ruyter's appointment, were also not up to the task of running its business affairs (Tandwa, 2022).

Further leadership blunders include the Board notoriously mapping the path that executives must follow, as well as involving the company in dubious tender processes (ka'Nkosi, 2015; Kessides 2020: v). SOEs are run like political enterprises with no guarantee for a return (ka'Nkosi, 2015). Montalto (2015) confirms that political involvement in Eskom at the most senior levels was quite high. Additionally, the lack of corporate governance and senior management who make tough decisions makes the likelihood mistakes leading to further blackouts, more likely (Kessides 2020: v; Montalto 2015). "The leadership crisis that's shaken Eskom is symptomatic of the deep rot that lives within that organisation, and most parastatals that have enjoyed the privilege of government regulation" (Mail & Guardian, 2009: n.p). With opinions such as these abound, how do we move Eskom's leadership forward?

Thomas (2012) reviewed annual reports and the print media around governance practices at South African SOEs over two years. The following was found (Thomas, 2012):

- i. *Poor leadership, evident in the conflict between the chairman and CEO, senior leadership vacancies and a lack of succession planning; instability in executive leadership; delays in senior appointments and political appointments and cronyism.*
- ii. *Inappropriate rewards including excessive pay and benefits to executive managers and board members despite SOE underperformance;*
- iii. *Mismanagement of resources evident in poor long-term strategy development, poor financial accountability and fruitless and wasteful expenditure;*
- iv. *Board irregularities demonstrated in apathy or ignorance of company affairs, irregular attendance of board meetings and excessive concurrent board appointments, lack of adherence to fiduciary duties, bribery and corruption, conflict of interest, tender-rigging and lack of regular board appraisal.*

There is a clear disparity between the theoretical underpinnings around leadership, forwarded in the earlier discussion, and the practical display of leadership at Eskom. Leadership from behind, as proposed by Bagshaw and Bagshaw (1999: 239), is therefore suggested for Eskom:

The most critical feature of the new leaders will be the capacity to 'hold the dream' in the face of increasing turbulence and uncertainty. They also need through their day-to-day interactions to model the core values that hold the flock together. The values and vision provide the stability that is embedded in constant change. They will also have the responsibility of developing leadership throughout the organisation. This means helping people to grow beyond being proactive contributors who are always looking to add value. They will become contributors who also want others to grow to their full potential. This is the concept of servant leadership. Leading from the front has been the hallmark of the twenty-first century.

Management

Franks (2014) contends that the 1996 Constitution and the Presidential Review Commission of 1998 provide for a clear idea as to the kind of Public Service Management it wishes to see. It particularly speaks to:

- i. Professionalism, impartiality and excellence;
- ii. Accountability and transparency
- iii. Participatory policy-making;
- iv. Efficiency, effectiveness and equity; and
- v. A developmental and service orientation.

Despite the foregoing, public servants chose to interpret public policy in terms of their ideological bent and/or personal interests, as well as those of kin and comrades. Further problems inherent in this is the corruption of management, which cascaded down to the ranks and compounded throughout the public service system and public enterprises (Franks, 2014), such as Eskom. Finally, centres of excellence and commitment became swamped by malaise (Franks, 2014).

Nienaber (2004) suggests that management is the process of creating and maintaining an environment in which employees, individually and collectively, can perform to achieve the purpose of the enterprise, namely serving its customers efficiently. This definition implies that management, as the governing body of the enterprise, should discharge their responsibilities in such a way as to create and maintain an environment in which employees can execute their tasks to fulfil the purpose of the business. Management as a government entity is thus responsible for creating an environment in which employees can perform to achieve desired goals. Furthermore, management can only perform efficiently and effectively if they understand the environment in which they function. The environment can consist of at least three sub-environments, namely macro-, market- and micro-environments, with their constituent variables; these include the global, legal, social, economic, industry, market, assets, knowledge, skills and processes that influence and impact the outcome of their tasks (Nienaber, 2007).

However, Smith and Lunsche (2008) contend that the crisis at Eskom is not of its own making. Ten years before 2008, Eskom executives and directors warned the government of a power shortage that was looming. Its warnings were ignored. Calls for tariff increases also fell on deaf ears. For example, a day after having a workmanlike meeting with Eskom management, wherein it was claimed that sufficient power supply for all industries was available, mines were told to shut down production. The Financial Mail (2008: n.p) concludes that:

Eskom needs competent leaders and technicians. We hear of retrenchments (often an unimaginative response to budgetary pressure), but little of retaining and hiring the best people. The people of the country are the shareholders in Eskom (not the government), and we want to see a few big appointments in project management and operations. Why are former Eskom executives not drawn back, if only as directors? Is there an unwritten rule that white men cannot be appointed to senior positions or that no foreigners can be recruited? [Eskom] now needs to behave like a national asset and not a national embarrassment – which means bold, proactive leadership, not timid and defensive mere management.

Eskom's regulatory framework

According to De Wet and Du Toit (2000: 74):

The National Electricity Regulator (NER) is a regulatory body, as mentioned earlier, that was established in April 1995 in terms of the Electricity Act (Act 41 of 1987). The NER is an independent body, funded by a levy on electricity generation sales, with the powers to:

- i. Issue licences for the generation, transmission and distribution of electricity;
- ii. Approve prices at which electricity is sold;
- iii. Set minimum quality of supply and service standards; and
- iv. Resolve disputes between suppliers of electricity and their customers and between suppliers and themselves.

By and large, the role of NER is to regulate the electricity supply sector and to make certain that customers are provided with ample reliable supplies at prices that are within their means and reflect acceptable levels of efficiency on the part of the distributor (De Wet & Du Toit, 2000:74). Eskom engages with all areas of government and has relationships with various ministries and government departments in so far as the regulatory environment within which it operates is concerned. Some of these key relationships, according to Eskom Holdings Limited (2010), are discussed below.

Shareholder – Minister of Public Enterprises

The Minister of Public Enterprises is the shareholder representative of the South African Government with oversight responsibility for Eskom. The relationship is governed through a shareholder compact. The shareholder determines and agrees on the strategic intent, key performance areas and targets for Eskom. The shareholder compact includes objectives, policies, financial, technical and other key performance indicators and reporting requirements. Quarterly and annual reports around performance agreements are submitted to the DPE. Eskom's responsibilities, approval and reporting in terms of the PFMA are managed through the DPE. The DPE also serves as a channel for Eskom's relationship with other government departments.

Policy – Minister of Energy

The Minister of Energy, together with the Department of Energy (DoE), is the key policy ministry responsible for the energy sector. This includes the activities which are largely governed by the Electricity Regulation Act (Act 4 of 2006) and its associated regulations.

Financial oversight and reporting – National Treasury

The Minister of Finance plays a fundamental role in developing South Africa's fiscal policy. In some circumstances, Eskom also needs to obtain approval from the Minister of Finance and reports to the National Treasury in terms of the PFMA. In addition, the National Treasury has been instrumental in providing government loans and guarantees in favour of Eskom.

Environmental compliance – Minister of Water and Environmental Affairs

Eskom is subject to the current environmental legislation and policies and strives to fulfil its obligations responsibly. In terms of environmental control, Eskom is regulated through environmental authorisation and licences/permits issued by the Department of Water and Environmental Affairs. These include licences and permits for the commencement of construction of power stations and major power lines and substations, waste (including ash dams/dumps), emissions, licences and integrated water use licenses.

Economic planning and integration – Minister Planning (National Planning Commission), Minister of Economic Development and Minister of Trade and Industry

Eskom's infrastructure development needs to be aligned with national planning and economic development initiatives. Construction programmes could be leveraged to achieve sustainable benefits for local industry and manufacturing capability and need to be aligned with South Africa's industrial policy, as well as the industrial policy action plan.

Nuclear operations – National Nuclear Regulation

Eskom is regulated by the National Nuclear Regulation established by the National Nuclear Regulator Act (Act 47 of 1999). Its role is to protect persons, property and the environment against nuclear damage through the establishment of safety standards and regulatory practices, to exercise regulatory control related to safety over various aspects of the nuclear sector, and to issue nuclear licences. Legal and policy framework pertains to:

- i. Electricity regulations on new generation capacity;
- ii. Integrated resource plan (IRP);
- iii. Independent system operator (ISO);
- iv. Electricity distribution industry restructuring; and
- v. NERSA's multi-year price determination (MYPD) methodology.

Steyn (2011) prepared a report for the Presidential State-Owned Enterprises Review Committee entitled *The impact of economic regulation on the management and performance of State Owned Enterprises*. The report aimed to identify key challenges related to the economic regulation of SOEs, which included Eskom. The report forwarded the following findings which support the notion that Eskom's regulatory and policy framework is in shambles. When speaking to the problems with economic regulation and infrastructure sectors in South Africa, the report highlighted the following (Steyn, 2011):

- i. Regulatory frameworks are developed on an ad hoc basis and are often inconsistent;
- ii. Regulatory decisions are sometimes unpredictable, arbitrary or of poor quality;
- iii. Tariff increases are often unavoidably high, but still insufficient;
- iv. Regulators are unable to review new market entries and new capital projects effectively;
- v. Regulators are unable to protect consumers against poorly executed SOE projects and cost overruns; and
- vi. Regulators are not effective in preventing monopoly abuse.

Turning to the basic insights the report forwarded, it contended that (Steyn, 2011):

- i. There is a range of economic regulatory functions;
- ii. Economic regulation is part of the broader governance framework;
- iii. Potential conflict of interest in sector governance is resolved by separating key powers and functions;
- iv. Regulating SOEs is a different challenge to regulating private sector companies; and
- v. Normal financial profit is desirable for sustainable operations.

The report attributed the causes of the aforementioned problems to (Steyn, 2011):

- i. Ministers and senior government officials often undermine the separation of powers established for the effective functioning of policy formulation, SOE regulation and corporate governance;
- ii. The finalisation of policy and regulatory frameworks is often subject to inordinate delays;
- iii. Policymakers often misunderstand the role of, and the strategies to achieve market-based competition to deliver desired policy outcomes;
- iv. Fundamental policy contradictions are often left unresolved;
- v. The mandates and objectives given to SOEs are often too broad;
- vi. Regulatory accountability is limited;
- vii. Regulatory independence and capacity are compromised by the nature of appointments;
- viii. Regulators do not have proper control of the secretariat supporting them;
- ix. Regulators are often under-resourced;
- x. Regulators generally fail to implement modern performance and talent management practices;
- xi. Regulatory methodologies are inconsistent and subject to frequent changes; and
- xii. South Africa suffers from a dearth of teaching and research capacity in the field of regulatory and infrastructure economics.

Conclusion

The core objective of this paper was to determine to what extent the lack of effective leadership, mismanagement and a complex regulatory framework, perpetuated the crisis at Eskom and thwarted South Africa's efforts to become a developmental state. The following conclusions and recommendations are drawn.

A development state calls for a balance between socialism and free-market capitalism. SOEs in South Africa, in particular Eskom, have failed to contribute to the country's economic development and were equally destructive when it came to social development. In essence, the core tenets which should be present for a country to be considered a developmental state, are absent. Whilst Eskom's future is fraught, it is apparent that competition is desperately needed in the energy industry in general, for the country's economy to thrive. It is suggested that Eskom's grip on the regional power economy must end, that independent power plants must be enabled and that the management crisis must be resolved effectively. To achieve this, public administrators (instead of focussing on controlling bureaucracies and being concerned with roles and regulations in performing their duties) must "steer rather than row" and be in charge of a new leaner, flexible and adaptable government machine, which chooses its vision, mission, and its goals and charts the road towards achieving them (Sotirakou & Zeppou, 2004: 70).

New Public Management could probably be the key. The tenets of New Public Management begin with a management culture and orientation that emphasises the centrality of the consumer, and accountability of results. Then, there are some structures or organisational choices that reflect decentralised authority and control, with a wide variety of alternative service delivery mechanisms including quasi-market with newly separated service providers competing for resourcing from the policy-makers and funders. The market orientation is further shown in the emphasis on cost recovery and in the competition between public and private agencies for the contract to deliver services (Manning, 2001: 299). As the principles of New Public Management appear apt in resolving some of the current problems experienced at Eskom (as they pertain to management, leadership and the regulatory framework), the study proposes several solutions, especially if Eskom is to become a sound driver of the NDP's vision and South Africa's pursuit to become a developmental state.

The management of the electricity grid needs to be taken away from Eskom and placed under an independent SOE. This will enable IPPs to compete with Eskom on a level playing field for the supply of electricity to the grid. To achieve this, the Independent System Market Operator Bill (2019) needs to be passed. The passing of this Bill will relocate the management of the grid under a separate entity. It is suggested that the IRP be updated to suit the country's current power crisis. The publication of the *South African Gas Master Plan: Basecase Report (V 01)* is imperative. In addition, a national subsidy scheme to incentivise businesses and households to install solar panels on rooftops is necessary. The completion of the Medupi and Kusile power plants is urgently called for. Poor management and leadership concerning diesel and coal tenders should be investigated. Accurate maintenance reports should be published, as this will demonstrate accountability on Eskom's part. Eskom salaries and bonuses should be linked to performance. Furthermore, Eskom's tariff increases should be linked to efficiency. The South African Government should establish a comprehensive national infrastructure framework with checks and balances, as well as improve regulatory independence and regulatory accountability. Furthermore, specialists as regulators should be appointed and standardised regulatory methodologies

should be applied. A further recommendation is the establishment of a single national legal framework for the economic regulation of infrastructure industries and lastly, applied research and teaching of the regulatory economist should be supported.

It is believed that it is possible to solve South Africa's electricity crisis. This can, however, only be achieved by bold leadership and management, policy certainty and a commitment to reforming the electricity sector as a whole. Eskom maintaining its monopoly over the South African energy sector will only serve as a catalyst which will deepen the electricity crisis the country is facing.

A quote by Yelland (2014: n.p) aptly concludes this suggestion:

To manage risk, the country needs to diversify the generation sector away from Eskom as the monopoly generator and away from coal as the primary energy source. South Africa is rich in primary energy and human energy. There is no energy crisis in South Africa. But there is a serious management crisis.

Finally, according to Cyril Ramaphosa (the current president), in order to revive South Africa's fortunes it is necessary to create a dynamic, fast-growing economy that can compete with the best globally, as well as establish a capable developmental state (McLeod, 2022). Unfortunately, under the ANC, South Africa has not created a capable developmental state but rather a state that in many respects is on the verge of collapse. McLeod (2022) holds steadfast that a mixed economy, which is central to a developmental state, will not work in South Africa.

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