TITLE: Policy implications of the nationalisation of mines in South Africa: a comparative study

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DEDICATION

This study is dedicated to my maternal grandmother, Bonsile Yende-Zama for the pivotal role she played in my upbringing and my studies. Her passing in the latter stages of this study left a gaping hole in my heart. Her contribution towards my upbringing and my studies will forever be appreciated. May your soul rest in eternal peace *MaZama; Wosiyane; Gcugcwa; Mashiza; Dingila*; *Mkhandi wensimbi nina enidume ngokugcagca insimbi amanye amakhosi edume ngesithembu. Wena owawela ngelibanzi kwasala izindondo zacoshwa abofokazane. Nina bakwamfazi kashaywa ngemvubu kodwa ushaywa ngombhombolo wesidwaba. Zukula kaNombhoco, Mvunyelwa.*

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ABSTRACT

The proposal to nationalise mines is a contentious issue in South Africa. There are those who argue for, while others against, the proposal. Furthermore, the role of government in this process is relatively unclear. The study investigates the proposed nationalisation of mines and probable policy implications for South Africa. The study is aimed at establishing whether the nationalisation of mines is worth pursuing or not, given South Africa's current political and economic landscape. The study also investigates nationalisation from an international perspective and provides an overview of countries where mineral and petroleum resources were successfully nationalised. Moreover, these countries are compared to the South African scenario. The study also analyses Alexkor, AEMFC, Eskom, SAA and the SABC and draws a relationship between the management of SOE's and the probable administration of nationalised mines.

A qualitative approach was adopted for this study. Case studies were utilised to address the objectives of the study. This research approach was relevant for this study because it sought responses to the question of whether South Africa can carry out the nationalisation of mines, given its current track record of the mines and the 5 SOE's. The study seeks examples of countries that have successfully executed the nationalisation of mineral and petroleum resources. Through the analysis of these cases, recommendations are made in terms of how South Africa may approach the nationalisation of mines in order for it to succeed.

The study analysed and investigated the debate of nationalisation in South Africa by exploring its advantages and disadvantages to perspectives drawn from countries where nationalisation was successful, including instances of failure. Moreover, the study focused on the role of public administration, in the implementation of the nationalisation of mines. The study revealed that the successful implementation of nationalisation requires the state to take a lead role in the facilitation of the regulatory environment. Furthermore, the study also revealed that the success of nationalisation is dependent on the relationship between the government and private investors. Negotiations in terms of the control of mineral and petroleum resources in some countries have contributed towards the success of nationalisation.

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List of Abbreviations

AEMFC:	African Exploration Mining and Finance Corporation
AMCU:	Association of Mineworkers and Construction Union
ANC:	African National Congress
ANCYL:	African National Congress Youth League
ANP:	Agencia Nacional do Petroleo
ASGISA:	Accelerated Shared Growth Initiative for South Africa
BC:	Before Christ
BNDES:	Brazilian Development Bank
CEF:	Central Energy Fund
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
CNP:	Conselho Nacional do Petroleo
CNPE:	O Conselho Nacional do Politica Energetica
CODELCO:	Corporacion Nacional del Cobre
COO:	Chief Operations Officer
CPRM:	Companha de Pesquisa de Minerras
CSI:	Corporate Social Investment
DOC:	Department of Communication
EFF:	Economic Freedom Fighters
FY:	Financial Year
GCEO:	Group Chief Executive Officer
GDP:	Gross Domestic Product

GEAR: Growth, Employment and Redistribution Act

ICMM: International Conference on Molecule-based Magnets

IDC: Industrial Development Corporation

INRA: National Institute of Agrarian Reform

IOL: Independent Online

KPMG: Klynveld Peat Marwick Goerdeler

MPRDA: Mineral and Petroleum Resources Development Act

NCCM: Nchanga Consolidated Copper Mines Ltd

NDP: National Development Act

NGP: New Growth Path

NPAI: New Public Administration Initiative

NUM: National Union of Mineworkers

OECD: Organisation for Economic Cooperation and Development

OUTA: Organisation Undoing Tax Abuse

PDVSA: Petroleos de Venezuela, S.A

PFMA: Public Financial Management Act

POSDCORB: Planning Organising Staffing Directing Coordinating Reporting Budgeting

PU: Popular Unity

RCM: Roan Consolidated Mines Ltd

RDP: Reconstruction and Development Programme

SAA: South African Airways

SABC: South African Broadcasting Corporation

SARS:	South African Revenue Services
SCOPA:	Standing Committee on Public Accounts
SOE:	State Owned Enterprise
US:	United States
ZCCM:	Zambia Consolidated Copper Mines

CHAPTER ONE: INTRODUCTION

1.1 Introduction

The mining industry in South Africa is regarded as one of the most sought after by investors. This is primarily due to the contribution it has made to the economy over the years. The contribution of the mining industry to the economy is vital as it is one of the key drivers of job creation, both directly and indirectly. In addition to its contribution to South Africa's employment statistics, the mining industry has been particularly central to economic growth, albeit experiencing a decline in recent years. Irrespective of its recent challenges, the mining industry continues to be a subject of debate, as far as the idea of the nationalisation of strategic sectors of South Africa's economy is concerned. The mining industry has recently come under the microscope because of a number of factors - which range from the proposed job cuts at Anglo American and the wage-related disputes at Lonmin, all leading to widespread protests such as the Marikana Massacre in August 2012 and the on-going protests that have taken place in recent times (both in the coal mines and the platinum belts). These protests and disruptions have possibly contributed towards a market decline in the South African economy. An example of this is seen in how production in the mining industry suffered in the first quarter of 2016; falling by 11.2% compared to the first quarter in 2015 (Industrial Development Corporation, 2016:1).

In addition to the challenges that have been facing the mining industry in South Africa recently, there has been the persistent call for the nationalisation of mines, which has brought about the recent rhetoric around the radical economic transformation and inclusive growth amongst others, which left policymakers and other political stakeholders divided on this proposal. Speaking at a recent 'Jo'burg Indaba', Association of Mineworkers and Construction Union (AMCU) president Joseph Mathunjwa has appealed to the government to nationalise a portion of the mines to enforce what he calls "the radical disruption of capital" (Ngcobo, 2016:1). Those who oppose the debate on the nationalisation of mines argue that this process could prove a risky operation since foreign direct investment in the economy would be negatively affected and it would further weaken an already ailing economy. On the other hand, others argue that the nationalisation of mines in South Africa would be beneficial to the country because it could address certain socioeconomic challenges that South Africa, such as reducing the gap between the rich and the poor, funding higher education, having the financial backing in order to deliver on the governments' social development goals etc., all whilst ensuring that the economic growth isn't compromised. This can be achieved through a radical approach from the government wherein they can gain control of the states' resources in the hope that it will lead to an economic environment that speeds up growth and eradicates the scourge of poverty (April, 2012:116).

When analysing the concept of nationalisation, there are a number of factors that need to be taken into consideration and whether these factors can lead to the success or failure of what nationalisation could mean for a developing economy. Firstly, what progressive developments can South Africa make if it intends on formulating a policy on the nationalisation of mines? What practical steps could be taken by the relevant stakeholders to ensure that the process towards nationalisation is beneficial for the population of South Africa and its economy? Could nationalisation address the socioeconomic challenges that confront South Africans? If so, does it hold the key to the developmental needs that confront the government and the majority of the population? Another factor to take into consideration is investigating what other countries have done in their pursuit to control key state resources, specifically for developmental goals. Will the nationalisation of mines assist the government in their attempts to meet the objectives of the National Development Plan (NDP) – 2030? The purpose of this study is to analyse all these factors and draw from each country. It is through these factors that a number of conclusions will be drawn. These conclusions could then be proposed to the South African national government and measures that could be taken to ensure that nationalisation benefits the country as a whole.

1.2 Background to the study

When looking at the history of nationalisation, it is important to briefly establish when and where it started. The study of early economics occasionally refers to the contribution made by Karl Marx although he primarily focused on the flaws of the capitalist system, more specifically the exploitation of labour in maximising the surplus value of production by those who had the means thereof. He postulated that the time would come when the labour forces would rise and begin a revolution that could lead to a potential change in the flawed capitalist system (Mohr, P. *et al.,* 2008:37). It is based on the above premise that socialism gained prominence as a result of the social and economic extremes of the early industrial revolution, which were mainly characterised by the gaps in the distribution of income (Beer & Keeton, 2011:4).

For the purposes of this research, it is also important to note one of the key utterances by Karl Marx regarding the capitalist system is illustrated by Prychitko (2008). Marx spoke strongly against the capitalist system because he believed it was to the detriment of the working class and society as a whole. He attributed this to market forces which control everything; however, it is the workers who should be in control due to their contribution to the market (Prychitko, 2008).

As the gap between the capitalists and the working class widened, the opinions of Karl Marx garnered support in other parts of the world, where it led to revolutions founded on the basis of who was to control the means of production and how they would be distributed. History has revealed that several countries' governments had taken it upon themselves to gain control of strategic 'state' resources and take control of production. One of the renowned examples is the Soviet Union under Lenin and Stalin. This was done in an attempt to fight for what they believed to be social justice, that is, the resources of the state must benefit its people rather than being under the control of the elite minority (Palmer, 2011:173).

Coleman (1991:41) has studied a number of countries which implemented nationalisation. Of the countries that he had investigated, it was revealed that various countries strategic sectors had been nationalised by their respective governments. One of the key elements in the various processes of nationalisation is the central role governments played in each instance.

With the process of nationalisation, it is found that the most common factor for the successful take-over of state resources is strong leadership. This is an element that is evident in the countries that Coleman (1991:41) identified. Some of the examples include a brief historical context of Cuba, Chile, Venezuela, Britain, Brazil and

Zambia; illustrating the process that took place in each of the countries, more particularly the actions of the government in each country.

When exploring nationalisation in the South African context, a number of articles and books have been written thereon and various scholars and key members of society have had their say through relevant examples of whether it would work, whilst others have opposed this view. The study will analyse, *inter alia,* Qobo (2011), Malikane (2011), Beer & Keeton (2011), Du Plessis et al. (2012), and Coetzee's (2010) position on nationalisation. Each author provides examples of countries that have nationalised key sectors of their economies. The details of the outcomes of their analyses will be illustrated in the later chapters of the study.

1.2.1 South Africa

The history of the mining industry in South Africa can be traced back to the 19th century, with the discovery of diamonds in the Northern Cape in 1871. Several years later, the discovery of gold was made, thus changing the landscape of the South African economy and politics at the time (Adler et al*.,* 2007:33). The discovery of diamonds in Kimberley and the discovery of large gold deposits in the Witwatersrand region of what was known as the Transvaal in 1886 led to a major inflow of European migrants and investors (Habashi, 2007:12). This inflow of Europeans into South Africa was what led to the Anglo-Boer wars of 1880-1881 and 1899-1902. It is believed that these wars were a result of the Boer's reaction to the European immigrants to South Africa and that the Boers viewed this as the political plotting of the British (Habashi, 2007:12).

The historical development of the mining industry in South Africa was positioned around the control of the mines. The mining industry needed labour to extract the resources from the earth and the trading of the minerals. This has played a pivotal role in the success of the mining industry in South Africa over the years. One of the most notable developments regarding the mining industry in South Africa took place in 1955, albeit the role was an indirect one at the time. It was at this time that the African National Congress adopted the Freedom Charter which stated that the wealth of South Africa formed part of its heritage (African National Congress, 1955).

In terms of the Charter, the wealth of South Africa shall be returned to the people of South Africa (African National Congress, 1955). The Freedom Charter also advocated for the minerals, banks and monopoly industry to be transferred to benefit the people of South Africa (African National Congress, 1955). Over sixty years later, the objectives of the Freedom Charter become central to the African National Congress Youth League and Economic Freedom Fighters' agenda with regards to their position on the nationalisation of mines. The central argument emanates from what has been termed “white monopoly capital” which has dominated the South African economy, whilst further suppressing the majority of South Africans into deeper levels of poverty.

It is with the above view that the debate on nationalisation has gathered momentum from the time it was presented by former African National Congress Youth League (ANCYL) and current Economic Freedom Fighter (EFF) leader, Julius Malema in 2009 and there are differing views on what ought to be done regarding this contentious topic. Given its contentious nature, this debate has developed into a two-sided argument given the economic consequences South Africa may be confronted with should it ever become government policy.

This research will analyse and investigate the debate on nationalisation in South Africa by exploring the advantages and disadvantages of this practice from perspectives in countries where the ideology was successful, including instances where it may have failed. More specifically, the research will focus on the role of administration, legislation and legislators on frameworks of the government and most importantly, what has worked in other countries when looking at how nationalisation was implemented.

For the purposes of this research, establishing a link between nationalisation and public management is important because the government is at the forefront of all institutions. In this case, the proposed nationalisation of mines in South Africa. A detailed link will be made of how the discipline, Public Administration and the activity (public administration) can be grounded in nationalisation. This will also be done in order to establish the effects that nationalisation has had on the economy of each country analysed in this study. The assessment of the economic performances of each country will provide the basis for the outcome of the study. It is through this assessment that the validity of the nationalisation of mines could be provided for each case.

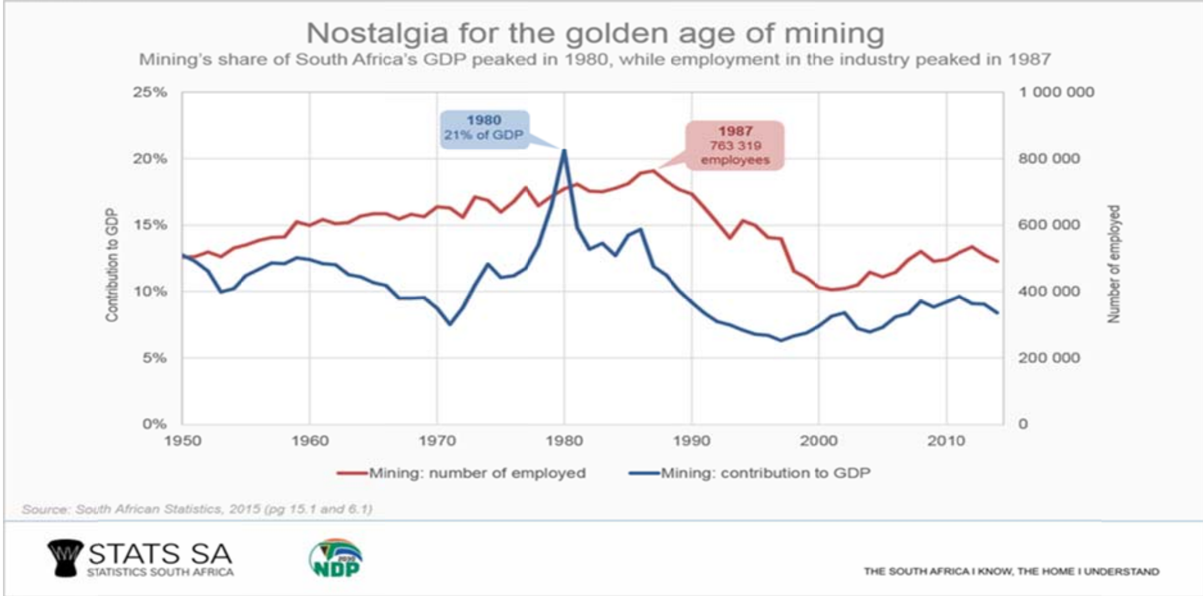
According to the Chamber of Mines, the mining sector accounted for 8.8% to the GDP, which was assessed at the nominal basis in 2011. It is further supported that in the ten-year period of 2001-2011, the mining sector had contributed a sum of R1.9 trillion to both the earnings of South Africa and the export earnings (Chamber of Mines, 2011). From the period of 2002-2012, the mining industry contributed a sum of R2.1 trillion towards South Africa's GDP and R2.16 trillion towards South Africa's export earnings (Chamber of Mines, 2012).

Furthermore, from the period of 2002-2012, the mining sector has contributed a sum of R2.9 trillion in sales revenue (Chamber of Mines of South Africa, 2012). Figure 1 illustrates the contribution that the mining sector has in made Rand terms from the period of 2007 to 2017 by looking at how it performed in each quarter over the last 10 years. Although the contribution of the mining industry has been in decline over the last couple of years, the mining sector continues to make a significant contribution to South Africa's GDP as illustrated in Figure 2.

Figure 1: Contribution of the Mining Sector to South Africa's Economy (ZAR) 2007-2017

Source:www.tradingeconomics.com/central: (2015)

Figure 2: Contribution of the Mining Sector to South Africa's GDP (%) 1950 – 2016



Source: Statistics South Africa (2015)

One can draw inferences from the statistics provided by the South African Chamber of Mines and Statistics SA. It is evident that the mining industry has much to offer the South African economy despite the decline in GDP over the last few years. The financial statistics provided by the South African Chamber of Mines also provides a useful insight into how profitable the mining industry is despite the challenges that it has encountered over the years. The sums of money generated from the export earnings and sales revenue could go a long way in closing the fiscal deficit and ensuring that the state has more funds available to develop itself.

A critical analysis that can be drawn here is that the nationalisation debate in South Africa has a number of factors that need to be taken into consideration. The first factor to consider is the Freedom Charter and its relevance in this day and age. Various views may be held with regards to the relevance of the Freedom Charter over 60 years after its drafting. The view of the wealth belonging to the state is one that still resonates with the advocates of nationalisation, including the ANCYL and the EFF.

The second factor to be taken into consideration is the economic debate around the nationalisation of mines. Some have argued that the nationalisation of mines may push investment away from South Africa and its economy. This economic assessment also considers the contribution the mining industry makes to the economy of South Africa and how this contribution may address the financial shortfalls that confront state entities.

The third factor is the relationship that exists between the South African government and the mining sector. This relationship perhaps holds the key to the study and the debate as a whole because these two entities play a key role in establishing the validity of arguments that may be presented both for and against the nationalisation of mines. The relationship of these two entities in the context of the case studies will be crucial in establishing ways in which the South African government and the mining industry could possibly work together in creating a well-balanced system of state-owned resources that could adequately manage to achieve developmental and economic goals simultaneously.

1.3 Literature Review

As mentioned earlier, the study of nationalisation is founded on the principles of Marxism. Karl Marx's study of the capitalist system sought to denounce the role that was played in the economy by those who owned the means of production and the proletariat. Karl Marx's theory of the social class was established as a result of the relationship between the bourgeoisie and the proletariat. In the class system, the proletariat sold their labour to the bourgeoisie for a wage. These wages were generated as a result of the profits that were made by the bourgeoisie (Swirk Online Education, 2017). The exploitation of the proletariat according to Marx is something that would inevitably lead to a revolution that demanded a more equal society where resources are shared for the benefit of the population (Swirk Online Education, 2017).

One of the early influences of Karl Marx's theory was seen during the Russian Revolution under the leadership of Vladimir Lenin. This was done under the establishment of Russian Marxism which was established in 1883 by George Plekhanov. However, Lenin believed that Plekhanov's view of Marxism placed more emphasis on theory, whilst he wanted action where the proletariat would rise up against their exploiters and revolutionise the Russian economy so that everyone would benefit from the means of production. Lenin's interpretation of the Marxist theory led to the disagreement and the inevitable separation between Plekhanov's and Lenin's factions of the Social Democratic Party where the establishment of the Mensheviks and the Bolsheviks came into being.

The calls for nationalisation in South Africa are no different since it originates from the growing gap between the rich and the poor. These calls are founded on the fact that the wealth of South Africa remains in the hands of a few individuals and families, whilst the majority of South Africans still find themselves being economically marginalised. Those who are calling for the nationalisation of mines and other key sectors in South Africa are of the view that the disproportionate distribution of wealth in South Africa is an issue that needs to be addressed with urgency. Calls for an inclusive economy that seeks to create a more equal society have become a central theme of the ruling party in recent times (National Treasury, 2017).

Chapter Three of the National Development Plan – 2030 (2011:110) indicates that the government aims at reducing the levels of inequality and eradicating poverty by attempting to create more opportunities for employment, which could lead to increased levels of productivity growth and the growth of those participating in the economy. It can be argued that South Africa is one of the most unequal countries in the world due to the fact that the wealth of the state is in the possession of a few. It is for this very reason that the need to radically transform the South African economy has been identified in an attempt to create a better life for all.

This section of the study will define nationalisation and it will also illustrate its components. This section will also analyse the work that has been done by others with regard to nationalisation and how it can impact on South Africa, both positively and negatively. A detailed analysis of each piece of literature will also be provided, along with the arguments that are provided by the various authors and how they specifically draw their conclusions on the South African case. The crucial aspect of this section of the work will be to identify the gaps in which the study can be expanded upon in order to contribute further to existing studies of nationalisation.

1.3.1 Nationalisation

Dupius (2005:6) defines nationalisation as a process where the government takes control of assets or services that are of great value to the state and the control of individuals or corporations and this is done by means of acquiring control of the majority of the corporation or the full control of the corporation. He goes on further to elaborate that the nationalisation process can happen in one of two ways.

Firstly, Dupius (2005:7) states that nationalisation can take place by means of the appropriation of the given assets. Within this process, the government takes over the resources without any purchase where under normal circumstances, would take place between the buyer (state) and the seller (individual/corporation). Secondly, Dupius (2005:7) states that nationalisation can take place when the government acquires the resources through a purchase deal between themselves and the legal owners of the given resources.

Based on Dupius' definition of nationalisation, it can be argued that the concept of nationalisation goes beyond the state's control of national assets. It is a notion that is founded on the political ideologies of socialism or communism, where the means of production are under the ownership of the community or the state. This ideology attempts to drive the equal distribution of wealth when addressing societal challenges of any given state, as is the case with this particular study.

Gripp (1973:77) supports this point and defines nationalisation as a hard-line approach by the state to root out privatisation in order to eliminate societal inequalities, the exploitation of the labour market and the greed that characterises that capitalisation to the detriment of society. Gripp (1973:77) goes further to state that nationalisation is the essential tool to "replace the 'evils' of capitalism with the 'advantages' of collectivity".

One important inference that can be made from Dupius' illustration of nationalisation is the central role of the state in the process of facilitating the ownership of strategic resources for the benefit of the state. Whether the state nationalises through the means of the willing buyer and willing seller rule or through expropriating the resources without compensation, they remain the central role player to the process of nationalisation.

Another important inference that can be drawn from the definition of nationalisation is the role that it intends to play in equalising the social structure. Gripp's approach to nationalisation is one that views capitalism as the core architect of social inequality that ensures that economic growth is only beneficial to the few who own the means of production whilst it exploits those at a peripheral level society.

1.3.2 Nationalisation: South African perspective

The ANC's Freedom Charter (1955) states that the people of South Africa shall benefit from the wealth of the state. The Freedom Charter (1955) does also state that every mineral that resides beneath the soil belongs to the people of South Africa. Although the Freedom Charter is promoting the idea of a collective ownership of state resources, the mines remain largely under private ownership.

The ideals of the Freedom Charter are supported by the Minerals and Petroleum Resources Development Act, No. 2 of 2002. These include the acknowledgement of the mineral and petroleum resources belonging to the nation and that the state acts as the custodian of these resources; and the affirmation that the responsibility to protect the environment remains the responsibility of the State for the benefit of present and future generations, along with ensuring an ecologically sustainable development of mineral and petroleum resources along with promoting economic and social development.

Malikane has always been an advocate for nationalising key sectors of the economy in an attempt to build an economy that is going to be inclusive for all who live in it. Malikane, prior to his appointment to National Treasury, had made a number of significant contributions around the debate on nationalisation in South Africa, some of which were grounded on Karl Marx's theory. Malikane (2011:13) states that the biggest challenges confronting the debate on the nationalisation of mines are those who oppose this proposal as they are stating various arguments which seek to discredit this approach towards the control of the minerals. One of the main reasons that have been identified by those who oppose it is that talks of nationalisation may cause high levels of uncertainty for investors, who always seek to invest in a stable economic environment (Malikane, 2011:13). However, South Africa has suffered recent credit downgrades from rating agencies, Standard & Poor's and Fitch.

Malikane (2011:13) states that those who stand on the opposing end of the debate on the nationalisation of mines are the ones responsible for creating doubts around nationalisation. Malikane (2011:13) has accused those against the nationalisation of mines for manipulating numbers in order to get favourable support from some sections of the government and the general public by focussing mainly on the impact that nationalisation will have on the economy. Malikane (2011:13) is of the opinion that those who oppose the nationalisation of mines may be analysing this argument from a one-dimensional stance instead of considering all possibilities, irrespective of their stance on the matter at hand.

Another economic assessment of the nationalisation of mines was conducted by Du Plessis *et al*. (2012) who argued that due to the competitive nature of the mining industry in South Africa, the industry may be a breach too far to be under the control of the state. Furthermore, the nationalisation of mines will result in heavy financial implications and losses because it may cost the government in terms of its input and outputs.

The nationalisation of mines is also looked at from an economics perspective, as identified by Beer and Keeton (2011:36). If the government were to acquire the mines as suggested by the ANCYL, it would cost approximately R582 billion at a 60% stake in the industry. This implies that if the mines are nationalised, the government would have to spend approximately R25.7 billion per annum just to keep it afloat (Beer & Keeton, 2011:36).

On the other side of nationalisation, Beer and Keeton (2011:37) state that the consequences thereof without compensation won't have consequences as dire as some may think which is due to the fact that most of the listed mining companies in South Africa are foreign owned. However, the fact that South Africa has signed a number of international treaties will make the nationalisation of mines without compensation difficult to achieve.

Qobo's (2011) assessment of the proposed nationalisation of mines is no different to how other researchers have approached this subject matter. Qobo (2011) makes specific reference to countries that have found ways of making the ownership of strategic state resources work in favour of the government, the corporations and the general population. The key elements include the relationship between the government and the private sector in each case and how this relationship has been to the benefit of the people, whilst positively contributing to the economy of each of the countries.

With the emphasis mainly being placed on the effects that nationalisation may have on the economy and the politics of this country, the authors place very little emphasis on the processes that the government of each undertook. The authors do not place accentuate on administrative processes that the governments had to go through in order to ensure that their involvement in the affairs of the states' mineral and petroleum resources go a long way in benefiting the population whilst ensuring that the economy does not suffer. This is the one gap this study will be looking to fill. These examples will be investigated and similarities to South Africa will be drawn from each case in order to establish the foundation for the findings and recommendations which will be illustrated in Chapter Five of this study.

1.4 Motivation for the Research

Nationalisation has been practised differently by different countries around the world. Countries such as Norway, Botswana and Chile implemented nationalisation successfully, whilst Zambia and Zimbabwe had failed to do so. Details of these countries and their nationalisation processes will be further elaborated on in Chapter Three of the study. There are a number of elements that have to be taken into consideration, such as administrative and policy processes that will enable the successful nationalisation of the given entities.

With the widening gap between the rich and poor in South Africa, parties such as the ANCYL and the EFF have argued that the nationalisation of South African mines may provide the solution to this problem but this solution may not be as simple as the government gaining full control of the mines, without compensating the mining companies as Beer & Keeton (2011) have suggested. In the South African context, government departments will play an important role in ensuring that the nationalisation of mines is beneficial to the country if it should ever become policy. These departments will include the Department of Mineral Resources, Department of Public Enterprises and the National Treasury. These departments would have to play a key role in ensuring that nationalisation does not only benefit the nation by having the fiscal capacity but also how it can ensure that the economy does not suffer unintended consequences.

1.5 The Aim of the Study

The study is aimed at establishing whether the nationalisation of mines is worth pursuing given South Africa's current political and economic landscape. The study also investigates nationalisation from an international perspective and provides an overview of countries in which mineral and petroleum resources were successfully nationalised. The aim of the study is to also highlight the role played by the state in the management of its mineral and petroleum resources. Furthermore, the study also seeks to establish the interaction between the state and corporates and how it would contribute towards either the success or failure of nationalisation. The study also analyses Alexkor, AEMFC, Eskom, SAA and the SABC and draws a relationship between the management of SOE's and the probable administration of nationalised mines.

1.5.1 Statement of the Problem

The mining industry in South Africa has contributed significantly towards the economy. However, the majority of South Africans are not benefitting from the ownership of the mining industry. The Freedom Charter (1955) states that the wealth beneath the soil belongs to the people. More than 60 years after the drafting of the Freedom Charter (1955), the mining industry continues to be operated by a few private companies. Although the industry has contributed a great deal to the economy, it has not done enough in terms of working with the government in terms of meeting the South African social development goals (Malikane, 2011). The problem statement focuses on the feasibility of the nationalisation of mines in South Africa.

The mining industry is primarily driven by profit and operates largely on the revenue that it generates. Furthermore, it is one of the key industries in terms of the number of people it employs. The South African Chamber of Mines (2016:6) postulates that the mining industry created a total of 457698 direct jobs during the 2015/16 financial year. Given the role played by the mining industry in South Africa, several concerns have been raised with regard to the effect it would have on the economy. There are fears that nationalisation may discourage investors in South Africa. Furthermore, nationalisation may prove to be costly should the state consider acquiring a stake in the industry for the purposes of nationalising the mines (Beer & Keeton, 2011:36).

Due to the challenges noted above, the nationalisation of mines will require extensive dialogue between the state and the mining industry. Furthermore, extensive analysis would be required in terms of identifying what may and may not work for South Africa and its mining industry. The most important consideration for the stakeholders would be ensuring that South Africa remains economically competitive in the global sphere whilst benefitting the population.

1.6 Research Objectives

The objectives identified for this study are stated below.

1. Investigate the feasibility of the proposed nationalisation of mines in South Africa.
2. Draw comparisons between South Africa and other countries that have practised the nationalisation of their mineral and petroleum resources.
3. Assess the performance of state-owned companies in South Africa and use these examples to draw conclusions. These will include the South African Revenue Services (SARS), the African Exploration Mining and Finance Corporation (AEMFC), ESKOM, South African Airways (SAA) and the South African Broadcast Commission (SABC).
4. Explore information gathered from other countries to provide recommendations that may best suit the South African context.

1.7 Limitations of the Study

The limitations of the study are broad because nationalisation is yet to be implemented in practice. Although there are a number of state-owned institutions, the measurement of their successes and failures may be difficult to measure against the proposed nationalisation of mines in South Africa. In as much as the aim of the study is to propose measures to be taken by relevant public institutions to ensure the success of nationalising the mines and protecting the economy from harm, the difficulty will lie in the fact that there are two extremely conflicting ideas for and against nationalisation in South Africa's mining industry. This study is particularly limited to how the proposed nationalisation of mines may contribute towards the budget of the country to ensure lower levels of poverty, with very limited reference to the role of the various state institutions that may be involved in the process.

1.8 Research Methodology

1.8.1 Case Study Research Methodology

The case study research method will be used extensively in this study. This method primarily allows researchers to present findings and draw conclusions on work that has been done on a particular study before. The case study research method is founded on the fact that it has allowed academics and researchers to go beyond qualitative and quantitative methods to draw reasonable conclusions towards their studies (Zainal, 2007:1). This particular method of research is favoured in the social sciences research space because it has been found to go beyond the limitations of quantitative methods by providing insight into the social and behavioural problems in each particular case (Zainal, 2007:1).

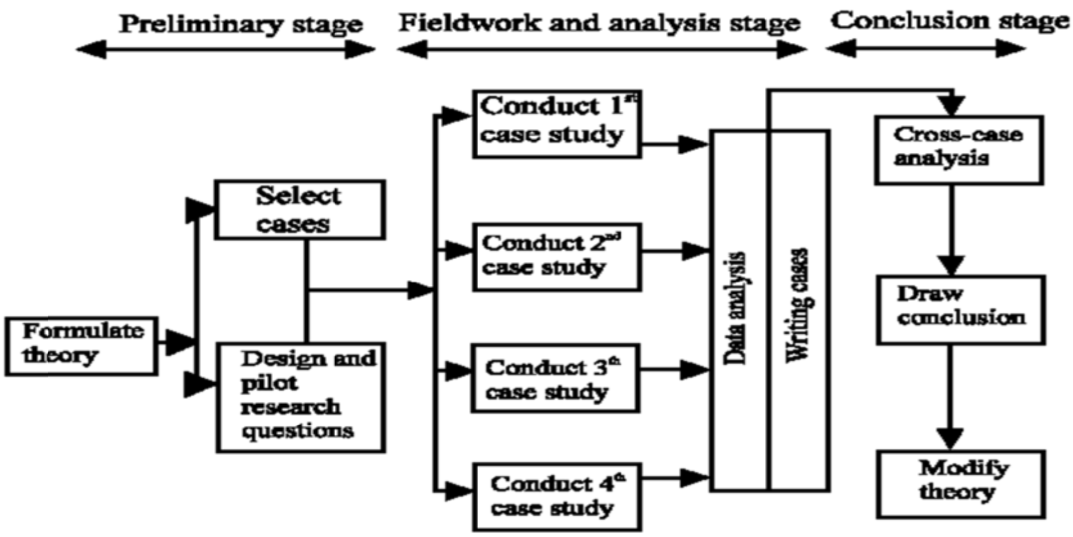
Yin (1994:24) defines the case study methodology as an experimental analysis that explores a modern occurrence within its real-life perspective, particularly when the limitations between the occurrence and perspective are not clearly evident and where multiple sources of information are utilised for the purposes of the study. It is with this definition in mind that the case study research method was adopted for this particular study.

The case study method follows a detailed process that takes place over three stages, namely the preliminary stage, the fieldwork and analysis stage and the conclusion stage, as illustrated in Figure 3 (Noor, 2008:1603). During the preliminary stage, the researcher's task will be formulating theory, which will ultimately lead to the selection of cases by researcher, as well as designing research question(s) that will form the basis for the analysis of key cases that will contribute to the overall outcome of the study (Noor, 2008:1603).

The second stage of case study research involves fieldwork and analysis of previous work done on a particular study. This part of the research is absolutely vital to the overall outcome of the study because it is here where the results are drawn for a detailed conclusion, where the theory may be modified in the third stage of this particular method of research (Noor, 2008:1603).

In keeping with the three stages of case study research in mind, the study on the success and failure of the nationalisation and state ownership of mineral and petroleum resources in certain parts of the world would contribute towards the outcome of this particular study because it seeks to draw conclusions based on the comparisons with each individual country in the later chapters. Furthermore, the study did not have to address any ethical issues due to this method of study.

Figure 3: **Stages in Case Study Research**



Source: Noor (2008:1603)

1.9 Clarification of Concepts and Terms

1.9.1 Public Administration

Public Administration is the scientific discipline that is concerned with the implementation of government policy. Public Administration may also be defined as the academic field of study that is all about the knowledge of the discipline. Public administration (public administration) is the actual act of government that makes where one may look at the implementation of public policy and the actual day-to-day administration of a particular government department (Thornhill, 2014:15).

1.9.2 Public Service

A public service is a service which is delivered by the government to people living within its authority, either directly, through the public sector or by financing provision of services (Merriam-Webster, 2017). The public service institutions that one would focus on in this case study would be that of the National Treasury as they are tasked with the management of South Africa's national government finances.

1.9.3 Budget allocation

Budget allocation forms an important component of the National Treasury as it provides them with the sufficient foundation to allocate government funds in a manner that is balanced as possible for the benefit of the general public. Ryckman (2014) defines budget allocation as the amount of money designated to each expenditure line for the purposes of equal distribution. It allocates the ceiling amount of money any organisation is willing to spend on a given program and it is a limit that is not to be surpassed by the employee authorised to charge expenses to a particular budgetary line.

1.9.4 Nationalisation

Jean-Pierre Dupius (2005:6) defines nationalisation as a process where the government takes control of assets that are of great value to the state and that is under the control of individuals or corporations and this is done by means of acquiring control of the majority of the corporation or the full control of the corporation.

1.9.5 Mineral and Petroleum Resources Development Act, 2002

The Mineral and Petroleum Resources Development Act has been established to be the custodian of the mineral and petroleum sector in South Africa. It seeks to do this by ensuring that there is equitable access to the resources and that these resources may be to the benefit of all South Africans.

1.10 Structure of study

This study will comprise of five chapters that are going to contribute to the overall outcome of the research objective. The chapters of will be divided as follows:

Chapter One

Background to the Nationalisation Debate in South Africa – Calls for a Policy on Nationalising the Mines

This chapter provides an introduction and background to the study of the proposed nationalisation of mines. This background includes the analyses of the foundation of nationalisation around the world. This chapter also analyses the background of the mining industry in South Africa and the basis of the ANCYL's calls to nationalise South Africa's strategic industries. This chapter also contains a review of the literature that forms the basis for most of the arguments in the study. There will also be a brief section where the selected research methodology will be covered. The chapter also analysed some of the challenges encountered during the study.

Chapter Two

Conceptualisation of Public Administration

This chapter will provide a brief overview of the evolution of Public Administration followed by focusing on the discipline in South Africa including the current New Public Management. There will also be a focus on the practice of public administration in terms of how the public institutions in South Africa have developed over the years. This will be used to draw the link of how the study and the processes of nationalisation can be grounded into public administration in the South African context.

Chapter Three

Nationalisation: An International Perspective

This chapter will focus on the international perspective of nationalisation and how it has been approached by specific governments globally. This chapter will provide insight into how nationalisation has been implemented by other countries and the results it produced for the economy and society. These include Norway, Botswana, Brazil, Chile, Zambia and Zimbabwe. The information gathered from Trading Economics (2015) will be presented statistically. This will provide insight into what recommendations can be made for the South African case.

Chapter Four

Nationalisation of Mines in South Africa: An Overview

This chapter explores the proposed nationalisation of mines in South Africa in detail. The foundation will be laid by the detailed analysis of the Freedom Charter (1955) and its relevance with regards to South Africa’s mining sector. This chapter will also provide a general overview of nationalisation in South Africa by assessing the performances of five State-owned Entities. These include Alexkor, the AEMFC, SAA, Eskom and the SABC. Comparisons will be drawn between each of these entities and the results thereof will contribute to the findings in Chapter Five.

Chapter Five

Interpretation of the Findings, Recommendations and Conclusion

The information gathered in Chapters Three and Four will be interpreted in detail. This chapter will be based on the findings that have been made in Chapter Four with regards to the proposal of nationalisation and the link it will have with the study of the state-owned entities. The recommendations will address the findings by drawing on the best practices of nationalisation from the selected countries for this study. This will be done by establishing similarities between relevant aspects of each country to those of South Africa.

1.11 Conclusion

The proposal of the nationalisation of mines is a contentious issue in South Africa and the opposing sides that argue for and against nationalisation make contrasting arguments. What remains unclear is the clearly defined role that the government ought to play. The nationalisation process is one that requires a good deal of work by the government to ensure that nationalisation could achieve its core objective: providing a better life for citizens. With this in mind, one other important consideration is that nationalisation in South Africa must preserve the economy whilst improving the life of South African citizens. The study intends to conduct an in-depth analysis of whether the nationalisation of mines may make a meaningful contribution to the fight against inequality and the slow pace of development in South Africa.

CHAPTER TWO: CONCEPTUALISATION OF PUBLIC ADMINISTRATION

2.1 Introduction

The general scope of public administration involves the daily activities of the government and its processes. These processes stem from the theoretical framework that has contributed to the discipline over the years. The aim of this chapter is to make an in-depth analysis of nationalisation and the relationship it has to public administration and various management theories covered in the latter parts of this chapter. The theory of the discipline is therefore very important and it forms the basis for the study. It is also important to note that the generic functions will also be expounded on with the emphasis being placed on the relationship each function has with the nationalisation process.

The scientific study of Public Administration and how it has developed in practice over time has contributed immensely to the structure of governments around the world. For several decades it has been influenced not only by the ever-changing global events but also by the changing political environments. Central to these changing political environments has been the ever-changing needs of societies that have driven the constant public administration reforms. These changes have played a major role in how governments conducted state affairs. One of the more central questions on the minds of administrators and academics over the years has been whether the activities of the government can ever be separated from political elements that may possibly influence the daily operations of service delivery objectives. This question has been debated over decades and various scholars and politicians over time have had their views with regards to the separation of political elements from the activities of the government.

This chapter will analyse the evolution of Public Administration from 1855. The contributions of various scholars towards the discipline will be underscored. The analysis of these contributions will seek to establish the link that each contribution may have to nationalisation. The study of Public Administration and its practice in South Africa from inception to its current approach, New Public Management, will be expounded upon. By analysing the principles of New Public Management, the aim will be creating a link between the aims of New Public Management and the role of nationalisation in promoting New Public Management. Lastly, this chapter will also endeavour to establish the link between public administration as an activity and the nationalisation process.

2.2 Public Administration as a Discipline

Public Administration is focused on the study of the system that is required to work in order for a policy framework to exist (Thornhill, 2014:15). This is done through a number of methods. Firstly, for the effective delivery of public services from government, a workforce is needed. It is the individuals in each organisation that ensure that the output targets are met and in public service, it is no different. Thornhill (2014:15) states that human resources in any given institution are acquired in order to perform the given functions of that particular institution. These deliverables that ought to be met by the civil servants are those that are aligned with the policy objectives that govern each individual government department.

Secondly, Thornhill (2014:15) argues that the establishment of an organisational structure is a key component in working towards effective public service. What this structure does is create a clear understanding when it comes to the allocation of roles and responsibilities that are expected from certain individuals in an organisation. This aspect forms part of a very critical role in public institutions because of this clear definition of roles that is expected along with the flow of how the chain of command works is pivotal to the delivery of services.

The third consideration of Public Administration is that it is concerned with the clear outlining of procedures that are there to ensure that services are delivered in the best possible way (Thornhill, 2014:15). The establishment of these procedures is there to mainly ensure efficient and effective service delivery. These procedures are guided by the policies that govern each government department.

The fourth consideration of Public Administration is the appropriate allocation of funds in order to be able to deliver on the goals of the institution (Thornhill, 2014:15). This involves sound public financial management by the relevant government department in ensuring that all state institutions have the funds to deliver on the mandate of each given institution. This process would also entail government institutions following stringent fiscal policies that ought to guide them in the fruitful expenditure of the budget.

The fifth consideration mentioned by Thornhill (2014:15) is that there needs to be checks and balances in place that are enforceable and hold members of the bureaucracy accountable to their institution. In today's management of public institutions and their resources, there are a number of policies that are there to ensure that there is a fair degree of compliance and accountability.

Stemming from *maneggiare*, the word management may be defined as leading by the 'hand' (Thornhill, 2016:8). Based on this, it may be argued that the rendering of services is facilitated by leading human beings to achieve organisational objectives (Thornhill, 2016:8). Whilst public administration may be seen as an executive function that is performed by political heads, public management functions are primarily performed by the bureaucrats in the public sector. These functions involve the management of scarce resources to achieve the policy objectives of the institution.

The management aspect in public administration came as a result of a change in focus towards the discipline. The managerial approach to public administration made a move towards a client-centred approach where the results were the main driver in the measurement of success (Katsamunska, 2012:78). The client-centred approach was used on the basis of economic, efficient and effective public service delivery. What this meant was that government organisations hereto make the move away from the traditional approach to the new method of managing government, which provided for the establishment of New Public Management.

The management of public resources is characterised by a number of elements which ensure that the effective execution of the states' mandate is delivered to the public by these managers. According to Thornhill (2016:8), some of the functions include, but not limited to:

- leading the staff;
- mapping out the plan of action for the organisation;
- drawing up budgets;
- monitoring and evaluating the progress of the institution; and

- assessing the performance of staff.

Although the differences between public administration and public management are minimal, it is important to note that the components of each remain crucial to any government as they both work concurrently. Politics in government organisations continue to be vital, however; it may stall the progress of society and the economy. Public management also cannot function independently from the public administration as the mandate for success does come with the political representation. With countries that have nationalised, the co-dependency of public administration and public management has contributed immensely to the success of some countries, whilst it has also contributed to the failure of other countries. These case studies will be expounded on in Chapter Three.

2.3 Overview and the Evolution of Public Administration

The origins of Public Administration are founded on a multi-disciplinary foundation. The studies of Political Science and Economics have played a major role in the development of public administration dating back to 1491 BC (Stillman, 1984:1). Some of the key stages before the modern evolution of the study can be highlighted as highly influential stages because they formed the foundation for the views that were to be formed centuries later.

The first of these would be Plato's belief that management forms part of a specialised mode of principles that may be separated from any art (Stillman, 1984:1). This came at a time where Plato accepted that there must be a separation between the art of management and democracy at a time where the Greeks were able to elect their leaders. The second of these stages came in 1525 when Machiavelli established that in order for an organisation to function effectively, there needs to be a fair degree of cohesiveness in the field of public administration (Stillman, 1984:1). The next important phase came in 1776 when rewound eighteenth-century economist, Adam Smith wrote the book title *The Wealth of Nations*. This book focused on specialisation and how pivotal it is to the creation of an effective public service delivered by officials, which creates a capitalistic environment (Stillman, 1984:1).

The above-mentioned stages of public management and administration formed the basis for the development of Public Administration as a scientific discipline. It is believed that Woodrow Wilson's essay of *The Study of Administration*, written in 1887, set the tone for the scientific study of Public Administration. This study was to be followed by further theoretical and scientific influences on the field. This particular study will be assessing these theoretical frameworks that have influenced Public Administration and how they can be grounded in the study of the proposed nationalisation of mines in South Africa.

2.3.1 Lorenz von Stein (1855)

The scientific study of Public Administration was first established in Europe. Lorenz von Stein was influential in developing of the study during 1855. He was seen as the first man to have theorised how government conducts, or ought to conduct the daily operations of the state (Sakli, 2013:157). During this period, the science of Public Administration was operating under the field of Administrative Law (Thornhill & van Dijk, 2010:99). At a time when it was believed that little was done as far as public administration was concerned, von Stein's thinking was seen to bring about an element of innovation as his view of public administration was seen to be one that adopted an interdisciplinary view since it integrated components of sociology, political science and public finance (Thornhill & van Dijk, 2010:99).

Lorenz von Stein held that any entity of the state had to maximise on all human knowledge so that the populous may benefit through the integration of the skills possessed by the representatives of the government. It is for this reason that von Stein looked at combining all relevant social sciences to achieve a greater output of delivery (Rutgers, 2010a:8-25). Lorenz von Stein also held that public administration involves taking practical steps in ensuring that the government leads (Thornhill & van Dijk, 2010:99). Irrespective thereof, he identified the need for public administration to have some kind of theoretical foundation in order to establish a solid base (Thornhill & van Dijk, 2010:99).

The interdisciplinary approach to public administration by Von Stein remains relevant as the administration of government systems is reliant on a wide range of skills in order to sustain efficiency and effectiveness. The proposed nationalisation of mines in South Africa would need to maximise all human knowledge at its disposal both in government and the mining sector. South Africa's mining industry represents a range of skills acquired from a range of academic disciplines needed to ensure the successful delivery of outputs within the mines. With the proposed nationalisation of mines, the government would have to find ways of maintaining the skilled workforce in order to ensure that the mining industry remains profitable for the development of the state.

Another important aspect of Von Stein's theory is the key competencies that the relevant public service institutions would have to possess. One of the key competencies would have to see the elimination of the trust deficit that currently exists between the government and the mining industry. For example, this task could be led by the Department of Mineral Resources as they perform the oversight role of mining administration and processes. The Department of Mineral Resources would have to adopt a policy position that would promote a sustainable integration of the state within mining activities from the exploration and production point of view, whilst ensuring that it maintains the relevant skills that are needed to ensure maximum profitability for the state.

2.3.2 Woodrow Wilson (1887)

In the United States, Woodrow Wilson was the first to consider the importance of public administration as a science. The famous article that Woodrow Wilson wrote in 1887, *Political Science Quarterly*, was more influential to the science of public administration than the work of Lorenz von Stein and this was mainly due to the fact that Wilson in his article wrote in support of four concepts that were to shape the science of public administration (Thornhill & van Dijk, 2010:99). Firstly, he focused on the separation between politics and the public administration. What Wilson had taken into consideration here is that an effective and efficient public servant must be able to separate his/her professional duties from their political alignment.

Secondly, Wilson argued that government officials must operate the public service as a private entity. This according to Wilson was to be done in a way that operations of public service were going to be commercialised although the motive of public service is more service driven rather than it being profit driven.

Thirdly, Wilson provides that a comparison between political and private organisations along with the political structures that may influence them, be drawn. This comparison is one that may come prove useful for public officials to execute their tasks successfully as they would be driven by the end goal just as a private practitioner would generate profit for the organisation. And lastly, Wilson provides that the science of public management must focus on attaining effective management of public institutions and its resources through the rigorous training of its public servants where their quality and their levels of competence will be assessed.

Through his analysis of the politics-administration dichotomy theory, Wilson advocated creating technically skilled and politically impartial administrative public service with the aim to create an effective democracy. There must be a clear separation between the political system and the government, irrespective of the fact that policies that govern public administration are from the governing party. Woodrow Wilson held that if public administration could be separated from political elements in its day-to-day business, it might just function as a business entity. Hence, it might be able to form some of its own scientific methods in terms of how it is practised.

The first consideration to make with regards to Wilson’s position on public administration would be its separation from politics. This consideration provides a clear guideline for officials to focus on their administrative mandate rather than the political mandate. This mandate would involve the efficient and effective use of state resources in order to provide useful services to the state rather than serving the governing party. When linking this to the proposed nationalisation of mines in South Africa, the core mandate of the government would be ensuring that the mining activities and the proceeds thereof are for the benefit of the state rather than them benefitting the governing party.

Wilson has also stated that government officials need to operate public institutions the way corporate entities would. This position is one that has been adopted by the Norwegian government and their involvement in Statoil, where the state controls 70% of the entity. Irrespective of this majority ownership of the state, Statoil continues to operate with the autonomy that a private institution would under normal circumstances.

2.3.3 Frederic Taylor (1911)

Frederick Taylor's contribution to public administration has also been noted as one of the more important contributions to the science in recent years. His work titled *The Principles of Scientific Management* was first adopted by managers in the United States of America. This was something that was going to be followed and practised by managers across the world in the following years. Taylor's viewpoint on management is that it is not only a composition of theoretical frameworks but also consisted of practical measures that were connected to the relationship between the manager and the workers (Turan, 2015:1102).

Taylor held that the art of management was routed in the processes that took place in an industrial setting. He argued that scientific management should challenge the notion that it was meant to be a means of a production. He instead believed that scientific management must be seen from a viewpoint of it being a cognitive process for practitioners.

The contribution of the scientific management school, which asserted the same set of values that Wilson and Goodnow emphasised, had a great influence on public administration. Fredrick Taylor (1911) argued in his book Principles of Scientific Management that there is "one best method" of achieving any task. Taylor (1911) believed that scientific management consists of certain broad general principles. He tried to increase outcomes through the fastest and the most efficient method of production through these principles.

Central to Taylor's contribution to management was the standardisation of work processes that were known to be the 'one best way of working'. This standardisation of work and internal processes provided a platform for public administrators to make provision for the promotion and maintenance of professional standards, which proved to be influential. Scientific management remains an important aspect of management practices in government organisations.

The role of scientific management in public administration is one that played a major role in a wide range of services, including the efficient mass production of public services (Nhema, 2015:169). Nationalisation has proved to be a practice where management plays a crucial role in terms of its success or failure. The success or failure of nationalisation could be directly linked to scientific management, particularly when considering work and internal processes that are taken into consideration. One of the challenges posed to internal processes is the political interference that exists. The cases of Botswana and Norway perhaps represent the best cases of nationalisation where political interference was minimal whilst productivity benefitted the populations of the two countries.

2.3.4 Max Weber (1922)

Weber's contribution to public administration is related to the approach that most scholars in his time followed in drawing the relationship between the being politician and the administrator. Weber's core focus was on the administrative hierarchy of the organisation where a clear division of labour is provided for the effective delivery of allocated responsibilities.

Weber's view considers three forms of authority which he uses to clarify the role played by each (Nhema, 2015:170). Firstly, Weber provides that there the conventional society where the local leaders at the helm are bestowed with personal authority that is rooted in the customs of the land. This view is based on the fact that the rules that exist are inherently based on the respect of the longstanding customs that have always guided the actions of most. Examples of these have been seen in how traditional authorities and royal families have influenced nations and decision-making processes over time.

The second form of authority identified by Weber is one based on the personality of a leader. This form of authority is based on the leaders' ability to be followed and respected on the basis that his/her personality is one that appeals to the masses. Authority stemming from charismatic leadership is one that usually has a huge following due to the fact that leaders who exercise such authority have a way in which they are able to reach their followers in a manner that activates the respect that they receive from their followers.

Finally, Weber identifies the legal authority under which the people identify the legal aptitudes of the individuals practising this form of authority. The legal authority is one that is legitimised by the acceptance that legal authority is based on rationality and universal rules that are not personalised for the objective management of public institutions. Those tasked with providing the oversight role in public institutions are subject to rules and regulations that guide the execution of public institutions.

Weber’s identification of the need for a bureaucracy comes from ancient states where the management of armies, state finances and the power of politics were all under the control of governments and rulers. However, developments in the administration of the state over time have required a greater demand in the sound delivery of services due to the complexity of the field in recent years (Chipea & Banciu, 2013:7).

Weber has identified a number of characteristics that form part of an ideal bureaucracy. Some of these remain prevalent in the modern state of public administration. The first of these include the organisational hierarchical organisation of roles in the institution and the authority that may come with some of these positions. Weber had also indicated that the important consideration that bureaucrats need to make is that their roles need to be separated from other factors that may influence the performances of the officials (Chipea & Banciu, 2013:7).

One of the main goals of bureaucracy is to maximise the efficiency of an organisation (Nhema, 2015:171). The essence of bureaucracies is grounded in the manner in which officials are appointed. The qualifications of personnel play a key role as this vital towards the success of the organisation. For the maximum delivery of outputs, appointments in public institutions should be merit-based and not on the basis political or other unmerited favours (Jain, 2004:2). From a nationalisation perspective, this position provides examples of the successful implementation of Weber’s theory on the importance of the right appointments in the bureaucratic structures of nationalised entities. The analysis of Brazil and the involvement of its government in the mining sector is one that may best illustrate the importance of the bureaucratic theory and the importance of merit-based appointments in administrative functions.

2.3.5 Luther Gulick & Lyndall Urwick (1937)

In 1937, social scientists Luther Gulick and L. Urwick (Papers on the Science of Administration) describe seven “major activities and duties of any higher authority of organisation”. Their contribution to public administration was one that integrated the works of the practitioners that preceded them. More particularly, Luther Gulick established a broad theory that specifically analysed the scientific methods that would provide for a progressive public service. These included executive control, structural improvements and professional standards (Jordaan, 2013:26). Since then, the acronym POSDCORB is used to describe the 7 functions of a manager. This is expounded upon below.

2.3.5.1 Planning

The planning process involves the construction of a framework that involves a detailed analysis of how processes are going to take place in order to achieve the desired results for the organisation. This process is one that may take place at a political level where the future plans and aspirations are discussed and mapped out. When taking this into consideration, it is the NDP that forms part of the governments’ plans to ensure South Africa meets the social and economic development goals by 2030. The planning process may also take place in executive functions where the political office bearers work to ensure that their specific portfolios fulfil the mandate of the organisation they represent and their constituencies.

2.3.5.2 Organising

The organising process involves the establishment of formal structures where the division of work and specialisation of roles are outlined. This function has a fair degree of authorities who act as the heads of each division to ensure that there is maximum efficiency and execution of tasks related to their specified departments. Gulick identified four methods by which the organisation of personnel can be achieved. Each method is aligned to ensuring that the tasks of the organisation are successfully executed. These methods are organising by purpose, by process, by material and by place (Hammond, 1990:149). These are known as the methods of departmentalisation. In relation to government activities, this forms an important part in the delivery of any mandate. This phase involves the intricate planning and delegation of roles assigned to individuals or teams in the organisation responsible for various tasks.

2.3.5.3 Staffing

The staffing process involves the placement of the relevant personnel to their specified positions. This component is as essential as it is critical because certain tasks have to be executed by the best possible personnel. The staffing function also involves the matching of talents and job requirements to individuals best suited for specific positions. In addition, the retention of personnel also fulfils staffing requirements where staff is retained through competitive remuneration packages, on-going training and programmes that are aimed at ensuring job satisfaction.

2.3.5.4 Directing

Directing involves the day-to-day administration of ensuring that the key decision-making processes are followed and affected to the highest levels of delivery possible. This is the responsibility of the leadership of the organisation. Directing involves a number of functions that contribute to the overall bottom-line of the organisation, a responsibility that lies with the leadership of the organisation. Managers typically delegate specified roles to the workforce. Beyond this, managers supervise tasks related to these roles. One other important consideration in directing is the manager's ability to provide leadership in all phases of any operation.

2.3.5.5 Coordinating

Coordinating involves various aspects of the work that needs to be executed in order to ensure that the successful delivery of the organisation objectives. This process is known as the integration of the various functions of the organisation. The coordinating function lies at the heart of each organisation. The coordinating function is also pivotal within a large organisation. With the larger organisations, the challenges are greater and hence coordination in such instances is important to the bottom-line of the organisation. Coordination in public administration is also vital because there are a number of functions that are aimed at contributing to the delivery of services. This coordination may be horizontal or vertical (Isac *et al*, 2009: 335-340). The vertical coordination function is aimed at bringing together the activities at various levels of the organisation to achieve the objectives of the organisation. Horizontal coordination, on the other hand, involves the integration of activities by various departments that may be on the same rank.

2.3.5.6 Reporting

Reporting involves a process where subordinates carry the responsibility of updating the authorities on the work they have done on their various tasks through the submission of regular reports and research that is expected of them. This function is important to both the managers as well as those reporting to them. Reporting performs an evaluation role in which organisations are able to measure performances. This measurement may be done through the assessment of the organisational objectives. The reporting function also involves the reporting of information within the organisation, as well as externally. Reporting in public administration is vitally important as it affords the public with an opportunity to hold public institutions accountable.

2.3.5.7 Budgeting

Budgeting involves a process of where the organisation's finances are recorded by means of drafting budgets for the mid-term and long-term and ensuring that these financial objectives are met. This can only be successful where there are effective financial control measures in place and officials that are going to ensure that the funds of the organisation are used to maximise growth effectively and efficiently. The scarcity of resources in the economy has given rise to the need for budgeting in all sectors. Budgeting from the perspective of public management has become increasingly crucial given the competing demands of society. Beyond this, the budgeting process in public administration must work in accordance with the political objectives of the political representation in the executive along with the fiscal allocation (Visser & Erasmus, 2013: 71). The general strength of POSDCORB is that it fits into the Classical Management movement, being classified as an element of scientific management. Gulick's POSDCORB principles were instrumental in highlighting the theory of span of control, or limits on the number of people one manager could supervise, as well as the unity of command to the fields of management and public administration.

Public administration as a science and a discipline has gone through a number of changes over the years. A lot of these changes have been influenced by the ever-changing political environment, along with economic and technological changes. The changes in these environments have contributed to the influences that have been made by Wilson, Taylor, Weber, Gulick & Urwick to the discipline and the science.

These contributions remain relevant to the discipline, given the fact that they pay attention to the management of public institutions. These management practices are still implemented in some countries around the world, including those that have nationalised strategic resources. These have somewhat contributed to the success of nationalisation in some countries, whilst it led to the failure of others. With the nationalisation of South African mines being a slogan, the question now becomes, "*What will the best management approach be to ensure its success, should it ever become a policy?"* Section 5 of this chapter will seek to establish the link between nationalisation in the South African context and its public administration, with specific reference being made to the management theories of Woodrow Wilson, Frederick Taylor, Max Weber and Luther Gulick.

2.4 Public Administration in South Africa

Given the roots of South Africa's colonial history, South Africa's public administration was influenced by the British rule that preceded it before the Union of South Africa was formed in 1910. The British influence on South Africa's public administration has been evident in how the South African governments, both the apartheid and democratic, have maintained some characteristics that came with the British rule at the time. A prime example of this would be the presence of South Africa's Parliament. Public Administration in South Africa during the 1980's was at a point where scholars had felt that it was time to perhaps view the science from a management perspective. The reason behind this was that public administration was too focussed on how services were administered and not on the key processes that take place beforehand. It is at this point where a distinction was being drawn between administration and management and how the two were going to be key contributors to what Thornhill (2014:13) termed '*The administration or management era'*.

The development of Public Administration in South Africa is mainly attributed to the contribution of JJN Cloete, widely regarded as the founding father of South African Public Administration. JJN Cloete's contribution to South African Public Administration was largely influenced by the work of Gulick and Urwick. Prior to the transformative period of the 1990s, the study of Public Administration was mainly focussed on the generic functions of the science. These were relating to the activities that take place within the effective functioning of internal processes that took place within a government institution (Cameron, 2008:45).

Further contributions to South African Public Administration were made at that time by Hanekom and Thornhill. This came against the backdrop of criticism that was directed towards the contribution that Cloete had made. It had been argued that Cloete's approach to the study had its limitations that led it what was coined as "an intellectual cul-de-sac" (Cameron, 2008:45). Irrespective of the limitations of Cloete's approach to the study of Public Administration, Hanekom and Thornhill somewhat supported Cloete's approach to the discipline as they felt that it could still have a valuable role to play in the overall contribution of the study (Cameron, 2008:45). However, the study of Public Administration in South Africa transformed as a result of the political transition that unfolded in the early 1990's.

2.4.1 Mount Grace I

The 1990's brought about a new debate where New Public Management was introduced (Thornhill, 2006:801). The Mount Grace Resolution stemmed from New Public Management Initiative, which introduced a range to discussions in order to map a way forward for the discipline and its impact on the practice. This conference was held in 1991 by a group of public administration academics and practitioners. In this group, there was a fair representation of those who were active drivers of change during the apartheid years and those who were sympathetic to the plight of those who were on the receiving end of apartheid laws.

The central theme around this gathering was the construction of an ideal post-apartheid public administration. The key discussion held at the conference was that of a refreshed approach to public service in South Africa. This conference reassessed the discipline and as a result, it concluded that the discipline was distorted, thus lacking the sufficient diagnostic, illustrative and prognostic techniques required to make it effective in practice (Ballard, 2010:12). This would be a public service that was going to move away from what characterised it during the apartheid era.

There were a number of conclusions drawn at Mount Grace I where calls for a more advanced approach to the theory, training and practice of public administration in South Africa (Cameron, 2008:47). According to Picard (2005), these conclusions were indicative of the following:

- Public Administration was descriptive in nature and that it lacked the necessary diagnostic, explanatory and prognostic techniques required;
- it was also concluded that Public Administration is simplistic and confining public administration to the one-sided view of the administrative process; and
- it was also concluded that a more arduous scientific examination, justification and forecast of governmental and administrative occurrences were essential, thus supporting their description of the discipline.

Irrespective of the fact that Mount Grace I didn’t address all the questions it sought to address, it contributed greatly to the discipline (Cameron, 2008:48).

2.4.2 Mount Grace II

In the year 2000, the Mount Grace discussion continued through the publication of the second conference on the NPAI (Thornhill, 2006:801). The aim of the debate was to re-assess the strides that had been made from 1991 within the discipline and the public sector. At this point, South Africa had moved away from a period of racial segregation to a more inclusive society.

The central theme around the Mount Grace II discussions was based on the following (Thornhill, 2006:801):

- scholars must think deeply about the discipline and the impact that it has made to the public sector; and
- it also indicated that scholars must re-assess the training needs of public officials.

This conference brought light to the fact that academics ought to have made a critical assessment of their contribution to the development of a public service that attends to the ever-changing needs of society (Thornhill, 2006:801).

2.4.3 New Public Management

New Public Management is a form of management that was introduced as a challenge to the traditional models of public administration of Max Weber and Woodrow Wilson in England, New Zealand and Australia (Cameron, 2009:912). It came in at a time where it sought to represent the revolution that was taking place in public management during the 1980's (Hope, 2001: 120). The essence of New Public Management was to manage public institutions with a commercialised approach that would specifically ensure that public institutions are run as corporate institutions. Aucoin (1990), along with Bale and Dale (1998), highlight a number of major elements that characterise New Public Management. These include:

- adopting management practices from privatised institutions and applying them in the public sector;
- placing emphasis on the economic use of public resources;
- focussing on the measurement of results and setting targets that the institution ought to achieve;
- a push towards private ownership and outsourcing the public services; and
- the delegation of roles to managers at lower levels in order to improve operational mechanisms.

One of the key components of New Public Management is the decentralisation of how public institutions operate. The Commission for Administration was the centralised power that governed the activities of the South African government prior to 1994 (Cameron, 2009:915). This power included the day-to-day management activities such as the recruitment processes and the setting of remuneration standards for staff members. The power held by the Commission for Administration at the time was in direct conflict with international best practice. It was only in 1996 where the powers of the Commission for Administration (Now the Public Service Commission) were transferred to the Minister of Public Service and Administration whilst the new role of the Commission was an oversight role (Cameron, 2009:916).

Although there was a positive move towards New Public Management in South Africa, there were still some moves made by the South African government which went against international best practice. The new ANC led government chose to let their political heads manage the government departments as opposed to the managers themselves. This came as a result of the presence of white bureaucrats who were inherited from the apartheid government (Cameron, 2009:916). This was done with the sole purpose of transforming the South African public sector.

The development of public administration in South Africa is founded on the deep historical divisions. These foundations have contributed to a system that has been seeking to redress the imbalances of the past. Mount Grace II was convened to not only assess the progress that the South African government had made since 1991 but also to assess ways in which the government could address the ever-changing needs of society. The ever-changing needs of society have prompted the call to nationalise South African mines along with other profitable sectors. However, this proposal has been met with opposition. The call for the nationalisation of mines has provided for the opportunity to establish the role of the government and as to whether it has the capacity to successfully execute the nationalisation of mines. With this in mind, the role of the government is crucial because it contributes to the success or failure of the process. The successful cases of nationalisation have implemented elements of New Public Management where the nationalised institutions have decentralised management, which allows for the effective and efficient management of these institutions. The connection between public administration and nationalisation is evident and the success or failure of both is directly linked to the role of the government in the process.

2.5 Nationalisation and public administration

When nationalisation is established in any state, it is evident that its success is dependent on the manner in which the execution of the proposed action is carried out. Usually, the practice of nationalisation in most states is a policy before it even becomes an administrative practice of the state. It is here where the link between the practice of nationalisation and public administration exists. The generic functions of public administration can be linked directly to how nationalisation is practised in a given state, especially when the policy-making and analysis process and financial management in public administration is to be considered.

One of the key components when examining public administration in practice is the manner in which the government exercises its control over the sectors which it operates within its given jurisdiction. When studies of nationalisation around the world are made, it is evident that nationalisation is founded on the basis of strong economic policies. These policies are then well supported by the strong regulatory models that are put into place. According to Qobo (2011:40), Norway is one of the prime examples as to how the government controls its petroleum resources for the benefit of its people through a sound regulatory framework which is characterised by its transparency.

'Resource administration' in Norway is based on the argument that all resources in the Norwegian gulf belong to its people and future generations, a premise that bears a lot of similarities to the Freedom Charter (1955) of the ANC in South Africa (Qobo, 2011:42). Qobo (2011:42) further explains that the Norwegian government is of the view that the extraction of oil plays a significant role in its economy as it draws from the wealth of the state in the long-run. It is for this very reason according to Qobo (2011:42) that the Norwegian government has been proactive in imposing the measure of asset replacement in an attempt to preserve the wealth of the state in the form of the Oil Fund that has been established through taxation.

Although nationalisation has not been adopted by the South African government, there are some efforts that have been made in order to ensure that the mines are beneficial to previously disadvantaged groups and South Africa as a whole. The South African government has taken reasonable steps towards exploring the nationalisation of mines as proposed by the ANCYL. The government established the African Exploration Mining and Finance Corporation (AEMFC) in 2011 with the aim of securing South Africa's energy supply through the mining of coal. The firm has been established to ensure that mineral resources are developed in the best of South Africa and its people.

One of the positive steps that have been taken towards the state-owned mining company achieving its objectives is through the establishment of the African Exploration Mining and Finance Corporation Bill of 2015. The bill highlights the objectives of the company as those that aim to drive mining activities that facilitate the socio-economic development goals illustrated in the National Development Plan

(2030). The AEMFC has enjoyed recent success where it has recorded revenue of R235.3 million accompanied by an unqualified audit for the 2014/15 financial year (Majola, 2015). The South African government has taken a clear stance on the matter. This has been done through the drafting and the implementation of the Mining Charter and the Mineral and Petroleum Resources Development Act, No. 28 of 2002 have seen the government is opposed by the mining sector, citing the lack of consultation from the government and supporters of nationalisation, who have been lamenting the slow progress of transformation in the mining sector for the longest time.

The idea of nationalisation in South Africa is one that continues to be debated by opposing groups for a number of reasons. Those who argue for nationalisation make the point that nationalising strategic sectors in the economy will improve the fiscal capacity which will ultimately allow the government to address the competing demands of citizens. However, those opposition nationalisation state that such an undertaking will have negative effects on the economy where the country might experience reduced investment, which could further contribute to the high unemployment rate. Measuring the possible successes and failures of nationalising the mines in South Africa would be difficult given that it has never been practised. One of the ways in which the perceived success and failure can be measured is through a study of how it has been practised in other parts of the world. This will be done in Chapter Three of the study. The other way of assessing whether nationalisation would be successful or not in South Africa, it would be useful to establish a link between public administration and nationalisation. This link will be done by focusing on three administrative and management theories that bear relevance to South Africa and the proposed nationalisation of mines.

2.5.1 Scientific Management

Frederick Taylor’s contribution to public administration involves the processes that take place from the level of managers to the subordinates. It also involves ways of evaluating problems of the institution and finding scientific solutions to these problems (Myrick, 2012:12). Scientific management was introduced as a result of perceived inefficiencies that were taking place in organisations in the early 1900’s (Nhema, 2015:169). The foundations of scientific management stem from Taylor’s belief that management structures in organisations weren’t as efficient as they were meant to be (Nhema, 2015:169). These were seen in how there was a gap between managers and their specific roles. As a result, Taylor developed four principles of scientific management (Meija *et al*, 2004:24). These principles made provision for the following:

- to study the task at hand and to further develop scientific solutions to the problems in the organisation;
- to have recruitment processes that ensure that they recruit the best individuals who will perform the assigned tasks. This will also come with the relevant training that will ensure the best results for the organisation;
- ensuring that there is full cooperation between management and the workers in the attempts to deliver the best results; and
- dividing the work in the manner in which the managers can focus on the formulation of strategic objectives of the organisation whilst the employees will focus on the successful implementation of these objectives set out by top brass.

The role scientific management would be major in the process of nationalisation, especially when one considers the four principles. The management of the mines and the relevant state entities would be dependent on the processes that would take place in each institution. With mining consisting of highly technical aspects, the recruitment process for this sector involves a high degree of specialised procedures that ensure that the best possible workforce serves the industry. Another important consideration would be the cooperation that would have to take place between the workforce and management. Recent examples of a breakdown in relations between the mining management and the workforce have been one of the stumbling blocks in the industry.

2.5.2 Bureaucracy

It is widely regarded that many aspects of public administration go back to the contribution made by Max Weber (Sokalska, 2008:26). His contribution to the field refers to the hierarchical structure that ought to be found both in the public and private sector (Sokalska, 2008:26). When linking nationalisation to the theory of bureaucracy, it can be argued that this theory will span across a number of state institutions. One of the important considerations of bureaucracy is the competencies that must be possessed by officials in order to ensure maximum efficiencies for institutions (Sokalska, 2008:30). Sokalska (2008:31) states that Weber's approach to public administration can be illustrated in seven points. These are:

1. The official business of the state must be handled in a manner that will allow for the continuity of operations in the institution.
2. The composition of the bureaucracy must be conducted according to the tasks assigned to officials by rank; the authority is given to officials to carry out their tasks and is not to detriment of subordinates.
3. There are key responsibilities that form part of the authority held at various levels.
4. Resources of the institution are not owned by individuals.
5. Officials must separate their private business interests from those in their workspace.
6. Officials must always be cognisant of the fact that their offices are strictly for official business and not any other private matter.
7. Official business must take place in the form of official documentation.

When linking Weber's theory of bureaucracy to nationalisation, it is important to note that there are a number of factors in the bureaucratic theory that would be central to the success or failure of the proposed nationalisation of mines in South Africa. The first important consideration would be hierarchical, that would ideally exist at the relevant institutions that would play a central role in this process. These include institutions such as the Department of Mineral Resources, National Treasury, Department of Public Enterprises, as well as the mining companies.

2.5.3 POSDCORB

With their work being founded on the contribution of scientific management, Gulick and Urwick focused on the span of control where the roles and duties of employees are clearly defined to ensure maximum delivery of objectives. This process included dividing work between employees and management, coordinating work processes and delegating the authority to all but name a few (Kaur, 2016:8). As mentioned earlier in this chapter, Gulick and Urwick believed that the efficient operation of an organisation is reliant on a number of principles that are known as POSCORB. These management functions may be seen to be relevant even in this day and age across an organisation of all sorts, particularly in the management of state institutions and its resources.

When linking the POSDCORB theory to the proposed nationalisation of mines in South Africa, it is important to note that this process of management planning would play an essential role in the success or failure of nationalising the mines in South Africa. Each phase of this theory would play a unique but pivotal role in the planning and implementation phase of nationalisation of South African mines.

2.6. Conclusion

The study of nationalisation illustrates the connection that it has with public management and administration. This connection stems from the involvement of the state in the running of key resources for the benefit thereof and its people. One other notable connection is the manner in which nationalisation may be linked to the relevant administrative and management theories. As a key feature of public administration, the activities of the government must have the population of the country at the heart of each development that takes place. Most governments nationalise key state resources in order to aid development in their countries, whilst boosting economic activities. Chapter Three of the study will be illustrating these examples and how they have gone about nationalising their key resources along with their success stories, as well as their unintended consequences.

CHAPTER THREE: NATIONALISATION; AN INTERNATIONAL PERSPECTIVE

3.1 Introduction

The debate over the nationalisation of mines in South Africa has revealed the importance of the link that exists between politics and the economy. This link has been evident in the past, especially considering how governments and individuals have debated who should have control of the mineral and petroleum resources in countries that possess these resources. History has revealed how the link between politics and the economy has contributed towards the success and failure of this proposed nationalisation process. The key factor is the administrative and policy processes that had or may have taken place in each case. The countries that nationalised their mineral and petroleum resources have implemented various systems that are unique to the needs of its citizens. These countries and the examples of nationalisation of mineral and petroleum resources will be discussed in greater detail later in this chapter.

The growing discontent among South Africa's poor has further motivated the call for the nationalisation of strategic industries in South Africa because the promises of development and reconstruction have not been fulfilled. An example hereof is the failed attempts at the implementation of the Reconstruction and Development Programme (RDP), the Growth, Employment and Redistribution Act (GEAR), the Accelerated and Shared Growth Initiative for South Africa (ASGISA) and the New Growth Path (NGP).

The RDP was implemented in 1994 by the democratically elected ANC-led government to address the inequalities of the past. It is defined as a reasoned socio-economic policy framework (SAHO, 2014). The aim of the RDP was to establish an equal society by developing a system that was going to advance South Africa by redressing the imbalances of the past, whilst building a healthy economy. It identified five key areas in which it sought to advance South Africa's development post-1994. These areas were to create a strong, dynamic and balanced economy; develop human resource capacity of all South Africans; ensure that no one experiences racial or gender discrimination in the hiring process; develop a prosperous, balanced regional economy; and to democratise South Africa. Although the RDP achieved a certain degree of success, it did not have the desired results in terms of growing the economy, which affected the effectiveness of the policy itself (SAHO, 2014).

GEAR was established in 1996 in an attempt to facilitate rapid economic growth which was meant to provide resources that would meet social investment needs (SAHO, 2014). The policy was a follow-up to the RDP. It was also aimed at reducing inflation, decreasing barriers to trade and reducing fiscal shortfalls (SAHO, 2014). With GEAR well and truly in place, the South African economy managed to meet some of its targets by ensuring stability in its macroeconomic affairs. In addition, the policy allowed for the improved management of public funds (SAHO, 2014). GEAR, however, had its challenges as it struggled to improve the outlook of the economy. There was a low level of economic growth and private investment was at low levels, which in turn did nothing to reduce poverty and unemployment (Koma, 2014:223).

Two decades into democracy, South Africa is in the process of pursuing the targets of the National Development Plan 2030 (NDP). The current situation in South Africa may suggest that the NDP is experiencing implementation challenges that were evident with the RDP and GEAR before it. Unemployment remains a major problem for the South African government (Statssa, 2015). The level of basic education in the rural areas is constantly contributing to poor academic performance in these areas and the calls for free higher education in 2015 have crippled the academic progress of most institutions of higher learning.

These factors can be highlighted as some of the reasons that the debate on nationalisation has been so prevalent in South African politics. Political parties and their representatives, academics and the business community have all voiced their opinion on the matter. The State Intervention in the Minerals Sector Report of the ANC has also provided various groups on the debate with a thorough report on the feasibility of the proposed nationalisation of mines in South Africa (SIMS, 2012).

It is important to note that much has been written on the nationalisation process and why it has succeeded in certain countries while it failed in others. Central to this is the role played by the state. Before studying the success stories and failed operations of nationalisation, it is important to pay attention to the foundations of nationalisation and as to how it gained prominence in certain parts of the world. This will provide a clear understanding of factors that have contributed to the drafting of the Freedom Charter (1955) and its aim of creating a better South Africa for all.

With the Freedom Charter (1955) forming the basis of the nationalisation debate in South Africa, it remains an important and relevant document for all those who argue in favour of the nationalisation of mines. It also serves as a document that has given the African National Congress Youth League's stance a solid foundation in the debate. A discussion of the consequences of nationalisation gives those who oppose it a sound platform for their argument, given the historical similarities of South Africa to certain countries which will be compared.

3.2 History and Evolution of Nationalisation

The debate on the nationalisation of mines in South Africa comes at a time where the relationship between the mining industry and other relevant stakeholders is tense. Unions, mineworkers and a select few in government have had strained relations with the mining sector and its representatives. In as much as President Mandela assured industry that nationalisation was not on the agenda of the newly elected governing party, there were still some concerns within the corporate space that the ANC-led government might go back on its word and introduce nationalisation in key sectors of South Africa's economy (Marais, 2011:97).

Over 20 years later, President Zuma has reassured investors that nationalisation is not on the agenda of the ANC nor the government. For those calling for the nationalisation of mines, the Freedom Charter (1955) provided a solid platform for an argument that seeks to provide the base on which nationalisation can be debated. One of the central ideas is that the people shall share in the wealth of the state. The collective ownership of state resources and the benefits thereof form the basis of how nationalisation was established in other countries. This chapter will analyse the historical context of nationalisation and how it is implemented in certain countries and has either failed or succeeded.

Chapter One of the research discussed the historical cycles of nationalisation identified by Chang *et al*. (2009:4). Domestic products were nationalised as a result of the high commodity prices in the various cycles. An investigation of the history of nationalisation reveals that it is important to briefly establish when and where it started. The study of early economics can never be conducted without referring to Karl Marx's contribution, as his contribution to economic theory laid the foundation for state ownership of strategic resources.

Although Karl Marx focused primarily on the flaws of the capitalist system, more specifically the exploitation of labour in maximising the surplus value of production by those who had the means of thereto, he did state that the time would come that the labour forces would rise and begin a revolution that could lead to a potential change in the flawed system of capitalism (Mohr *et al.,* 2008:37). It is based on this premise that socialism gained prominence as a result of the social and economic extremes of the early industrial revolution, which was primarily characterised by the gaps in the distribution of incomes (Beer & Keeton, 2011:4).

Keith Coleman (1991:41) has studied a number of countries that implemented nationalisation. In the countries investigated in the study, one finds that different sectors of various countries have been nationalised by the various governments. One of the key elements in the various processes of nationalisation is the central role governments have played in each instance. With the process of nationalisation, one finds that the most common factor for the successful take-over of state resources is strong leadership. Below a brief historical overview of Cuba, Chile, Venezuela, Britain, Brazil and Zambia illustrates the process that took place in each of the countries, more particularly the actions of the government in each instance.

3.2.1 Cuba

The nationalisation process in Cuba was founded on their socialist policies and the bilateral relationship that existed between themselves and the Soviet Union during 1957 and 1963 (Coleman, 1991:43). It was during this period that Cuba experienced the rise of revolutionary leader Fidel Castro, who in his early years as Prime Minister, introduced a sequence of economic reforms which were primarily aimed at redistributing the wealth of the state and attaining self-determination (Coleman, 1991:43).

Castro's method of nationalisation was ruthless as he primarily targeted all US-owned companies. An example of this callous intervention was when Castro's government ordered a US-owned telephone company to reduce its rates in the rural areas by a staggering 50%. Furthermore, royalties were imposed in the region of 60% on foreign-owned companies, whilst holding on to their records and compelling them to drill their concessions or risk losing them totally (Coleman, 1991:43).

Rolando Anilo-Badia (2011) made a contrasting analysis to Cuba's nationalisation process. Nationalisation took place over three stages between 1959 and 1968. The first stage was the confiscation of the property of officials who formed part of the Batista government and collaborations with those who were seen to be counter-revolutionary (Anilo-Bodia, 2011:84). The second of these was the Agrarian and Urban Reforms; Expropriation of American, other Foreign and Cuban-owned Interests. The third was the Revolutionary Offensive stage.

The first of stage took place between 1959 and 1960. During this period, the Cuban government went about forcefully taking over property that they had deemed to be stolen by the government of Batista (Anilo-Badia, 2011:84). This period also saw the establishment of the Ministry for the Recovery of Stolen Property. Under this stage, the Cuban government's project was in full motion as they started confiscating assets that were owned by those who were officials of the Batista government.

The second stage of Cuban nationalisation took place from 1959 to 1963. In this period, the Cuban government introduced a series of legislation with the full intent on transforming the economy (Anilo-Badia, 2011:85). These were the Agrarian Reform Law of 1959, Law No. 890 of 1960 and the Urban Reform Law of 1960. During the Agrarian Reform period, the Cuban government set about expropriating private companies based on the identification of social needs in the country. This was done through the National Institute of Agrarian Reform (INRA).

The reform was instrumental in the nationalisation process as it allowed for the owners of the properties to receive exemplary damages from the Cuban government (Anilo-Badia, 2011:85). These damages due to the owners were based on the market value at the time. The exemplary damages due to the owners were paid in the form of bonds that were negotiated. In addition to the government's property take over, there was also Law No. 890 of 1960 which paved the way for the expropriation of foreign-owned corporations in Cuba and their subsidiaries along with big companies that were owned by Cuban nationals. The second stage of Cuban nationalisation also had the Urban Reform Law which provided exemplary damages to the owners of properties and the holders of mortgage (Anilo-Badia, 2011:86). Under this law, the Cuban government took it upon themselves to have exclusive rights to lease property that was in the hands of individuals. This property was to be transferred and as a result was under the control of the government.

The third stage of nationalisation in Cuba took place between 1961 and 1968. The Cuban government at this stage went on what they termed the “Revolutionary Offensive”, Law No. 989 of 1961 was passed and the aim of the law was to validate and authorise the takeover of property that has been abandoned (Anilo-Badia, 2011:86). What the law also did was that it was looking for ways to ensure that Cuban nationals residing outside of Cuba return home within specified time frames. If Cuban nationals failed to return home after a specified period, the government deemed the failure to return home as a permanent departure, thus rendering properties abandoned. The final steps in the nationalisation of private property in Cuba took place in 1968 where the Cuban government moved towards blocking the operations of private business. However, the small agricultural businesses were allowed to continue their operations, albeit a select few were allowed to do this (Anilo-Badia, 2011:86).

The Cuban model of nationalisation was strongly based on the socialist policies that defined the Castro regime. One of the important factors was the policy management that was undertaken by the government. The reforms were aimed at redistributing the wealth back to the people. Through nationalisation, the Cuban government was directly involved through the Ministry for the Recovery of Stolen Property. This department acted on behalf of the government to implement policies that were introduced by the socialist party. The socialist party also set about introducing policy reforms that paved the way for the expropriation of foreign-owned companies in Cuba. The nationalisation process in Cuba is one that has been characterised by the direct involvement of the government. The Cuban government identified themselves as the custodians of the state and hence their direct involvement in the process.

3.2.2 Chile

Nationalisation in Chile took place under two different governments that followed contrasting ideologies and methods in their processes of nationalisation. The process that was known as the 'Chileanisation' programme was established under the government of Eduardo Frei Montalva. The proprietorship of the copper mines was under the control of the state (Coleman, 1991:45). The Chilean government at the time acquired a majority stake of 51% of the mines which was under American ownership. By doing this, the government had hoped that they would be able to pay Anaconda, the American mining entity, the full value of the stake that they had acquired over a period of 12 years (Coleman, 1991:45).

Under Salvador Allende's government, nationalisation in Chile took up an entirely different dimension as the Popular Unity (PU) focused on nationalising not only copper, but also iron, nitrate, coal, banking, steel, cement, petroleum, foreign trade, electricity, transportation, communications, cellulose and paper (Coleman, 1991:45). Allende's government was primarily mandated with the task of ensuring that the working class and the poorest groups of the population would see a pay rise, thus benefitting from the performance of the nationalised companies (Cunningham, 1998:1).

A key element that characterised nationalisation in Chile under Allende was the manner in which he had determined the excess profits after the controller-general had determined the compensation due to the American companies that had owned the mines (Coleman, 1991:47). The government justified Allende's position on excess profits by stating that due to the massive profits that the copper companies had already generated from Chile, they should not receive any compensation from the government (Coleman, 1991:45).

The early stages of nationalisation in Chile may have yielded some benefits for its people. However, the late 1970's and 1980's underwent a period of privatisation under the military government. During this period, nationalisation had a negative impact on the economy as growth was extremely low whilst inflation was high. One of the reasons behind this was the interventionist measures taken by the previous government (Delano & Translavina, 1989) (Leniz, 2011:8). CODELCO, however, remained under the control of the state throughout the privatisation process and remains under government control to date.

Although the Chilean government was privatising state-owned entities to promote economic growth, CODELCO was retained for “strategic reasons”, which were creating jobs and have the bargaining power with the unions. A central feature in Chile’s historical case of nationalisation and privatisation was the role the government played in each instance. In both cases, the government has recognised the need that confronted the country. For nationalisation to take place, the government identified the developmental needs of the country whilst tackling the exploitative nature of the foreign-based companies that were extracting their resources and for privatisation to take place, the government identified the negative impact of nationalisation on the economy and the people of Chile.

3.2.3 Venezuela

The process of nationalisation in Venezuela involved careful planning and deliberation (Coleman, 1991:52). Nationalisation in Venezuela was an all-inclusive process that involved a multiparty agreement as the nationalisation of oil was executed through the Venezuelan Congress who identified the importance of developing a multiparty agreement (Coleman, 1991:52). One of the key components in this process was the establishment of the presidential commission, which comprised of four cabinet ministers, the head of the state oil company, and various chairmen of the petroleum committees of the congress and senate, and other key role players that were identified as useful agents for the impending nationalisation process (Coleman, 1991:52).

Before 1976, Venezuela had made significant strides towards the nationalisation of its oil industry. In August 1971, a regulation that led to the nationalisation of the country’s natural gas industry was approved under the Caldera’s presidency. In 1971, the law of reversion was approved, which stated that all the assets, plants, and equipment which belonged to concessionaires within or outside the concession zones would return to the country without any payment to once the concession expired. Decree 832 specified that all exploration, production, refining, and sales programs related to the oil companies had to be accepted in advance by the Ministry of Mines and Hydrocarbons before all other things were to be considered.

However, it was in 1976 that Venezuela nationalised its entire petroleum industry and all of this was done with little opposition from the foreign companies as they had anticipated the move by the Venezuelan government and they had not received any new concessions since 1960 (Beer & Keeton, 2011:44). At this point, all the foreign petroleum companies in Venezuela were joined into four entities that acted autonomously and were also positioned under the organisational command of the Venezuelan state-owned oil company, PDVSA (Beer & Keeton, 2011:44).

The case of nationalisation in Venezuela represented a vital part of the generic factions fulfilled by the executive. It involved a good deal of planning where key stakeholders were involved in the nationalisation process. Another central feature of nationalisation in Venezuela was the legislative process that took place in the 1970's where Decree 832 became an influential piece of legislation. All activities under Decree 832 had to be accepted by the Ministry of Mines and Hydrocarbons, which gave a fair deal of power to the executive.

3.2.4 Britain

The process of nationalisation in Britain took place between 1945 and 1967. It was a process that was initiated by the Labour Government of Britain where they aimed at nationalising a multitude of industries at the time (Coleman, 1991:54). The nationalisation of coal mines, in particular, was a policy position of the Labour Party that allowed them to draft the Coal Industry Nationalisation Act of 1947, a policy that has been initiated and supported since 1919 (Coleman, 1991:54). This policy allowed the National Coal Board to acquire, restructure and operate the coal industry (Coleman, 1991:54). The Labour Party also initiated the nationalisation of electricity which was done through the Electricity Act of 1947 (Coleman, 1991:54).

The British also nationalised the gas industry and this was primarily due to the poor performance of the industry (Pryke, 1981:7). During the 1950's and the early 1960's, the industry showed frailties as a result of its reliance on coal-based methods in the production process, which prompted a rise in the cost of high-grade coal that was required to produce the gas (Pryke, 1981:7).

3.2.5 Brazil

The birth of the Brazilian petroleum industry dates back to 1938 when President Vargas created the National Petroleum Counsel, otherwise known as the CNP. The CNP at the time was directly associated to the government of Brazil and its core mandate was establishing long-term strategies for the development of the oil industry in Brazil: this included pricing policies, investment priorities, supplying and distribution policies, among others (Guilhoto *et al.,* 2007:3). It was at this point that the states' involvement in Brazil's petroleum industry began.

Further studies have been conducted to assess the potential of the Brazilian sedimentary basins and the economic contribution they could have made at that point in time, with the aim of finding evidence that could conclusively explain the exploration and production of investments, rather known as E&P or upstream (Guilhoto *et al.,* 2007:3). The Initial efforts were highly focused on the coast of Bahia in the Brazilian Northeast, which led to the discovery of important fields at the time (Guilhoto *et al.,* 2007:3). Bahia became the first basin in Brazil to be explored and it remained as such until the beginning of the 1970's (Guilhoto *et al.,* 2007:3).

The other significant landmark in the Brazilian petroleum industry materialised in 1953 when Petrobras was established. Petrobras is a state-owned company that was created to conduct the research, exploration, development and production of oil and gas in Brazil. In this particular context, the state monopoly was set up as a result of the lack of private capital and its reluctance to assume such a high-risk activity (Guilhoto *et al.,* 2007:3). Beyond this, there was also political resistance to open the sector to external companies and because of this, Petrobras became the manager of this monopoly. As a result, it expanded progressively in all its activities towards other steps in the productive chain, such as processing and distribution (Guilhoto *et al.*, 2007:4). In the mid-1950's, the productive capability of Petrobras accounted for up to 3000 barrels of oil a day, which at the time, was inadequate to meet the increasing national consumption of oil (Guilhoto *et al.*, 2007:4).

3.2.6 Zambia

The Zambian attempt at nationalisation tells a tragic story. Whilst the cases of nationalisation in Norway, Botswana, Chile and Brazil provide a wide range of sources to draw from, the Zambian case provides a limited range of sources. At the dawn of independence in Zambia, the government of Kenneth Kaunda was seeking ways in which it could best improve the conditions of the poor in the rural areas and to eradicate unemployment (Limpitlaw, 2011:737). The Zambian government's ambition led them to the project of restructuring Zambia's economy away from the colonial role of commodity supply to one of decentralised mass employment (Limpitlaw, 2011:737).

The copper industry provided the government of Zambia an opportunity to realise this approach, and this ultimately led to the acquisition of a 51 percent stake in the copper industry by 1969 (Limpitlaw, 2011:737). As the prices of copper around the world were on the rise in the 1960s, the government of Zambia nationalised copper mining in the name of Africanisation and national development (Negi, 2011:29).

Out of the nationalisation of the copper mines, the Zambia Consolidated Copper Mines (ZCCM) was established and became an organisation that was vertically integrated and administered by political office bearers and technocrats and they were responsible for all operations which included mining, smelting, refining and even transportation (Negi, 2011:29). Significantly, the Zambian government through ZCCM adopted the reproduction of the workforce as well schools and colleges, and clinics and hospitals now operated under the umbrella of the mining parastatal (Negi, 2011:29). Ultimately, ZCCM followed a cradle to grave policy of social welfare, which was seeking to provide a sense of security to the people of Zambia (Negi, 2011:29).

By the mid-1970s, the mines were experiencing poor profitability. This came as a result of the collapsing copper prices, along with the re-focus of management moving away from production for profit to production to guaranteeing employment and the delivery of social services. This formed the core of the government's policy objectives (Limpitlaw, 2011:737). The sum of considerable development dividends to the state reduced the copper mines' ability to plough back towards the infrastructure required to maintain efficient mining (Limpitlaw, 2011:737).

The resultant economic crisis in the copper-belt led to the unification of Roan Consolidated Mines and NCCM into Zambia Consolidated Copper Mines (ZCCM) in 1982 (Limpitlaw, 2011:737). In 1984, the entire Zambian economy was experiencing a steady decline, some of which was attributed to the long-term decline in the price of copper; unemployment was on the rise, and there was a decline in imports and a rise in foreign debt (Limpitlaw, 2011:737).

The long-term effects of nationalisation in Zambia have had negative unintended consequences to such an extent that the government of Zambia had to move away from it and move towards privatisation. This was mainly targeted at foreign investment that would save the dire state of the copper-belt in the early 1990's. Zambia's mines lost more than $1-million a day under government ownership, according to First Quantum, the country's biggest copper producer (Hill, 2013:1). The Chamber of Mines figures show that output of the metal fell 65% to 263,000 metric tons in 1997 from 1973, before rebounding to more than 800 000 tons last year (Hill, 2013:1).

One of the central features of nationalisation is the role played by the state. One of the common reasons why countries nationalise key entities is that they may improve social and developmental needs that have been identified by the government in question. With the countries that have been identified in this chapter, the reason for nationalisation was ensuring that the government may employ a people-centred approach with the hope of gaining political favour with the population. Another key factor in the nationalisation process is the administrative approach that is employed. The legislation that governed nationalisation has been a key factor in the success and failure of the nationalisation projects in the countries studied in this section. Lastly, the relationship that government has with corporate entities is another key factor in the nationalisation process. These factors continue to play a major role in how nationalisation is practised in more recent times.

3.3 Nationalisation: A global perspective

The modern practice of nationalisation is similar to how it has been practised historically. One important similarity to bear in mind is the strategic agenda of the countries that nationalisation may have with regards to their control of key state resources and those who stand to benefit from nationalisation. One of the most important aspects to consider is the contribution that the mining and petroleum production makes towards the gross domestic product (GDP) of each state. One often finds that the involvement of the state in the production of mineral and petroleum resources does ultimately contribute to the performance of the economy (Beer & Keeton, 2011:2) and some countries in this instance have more control over strategic resources in their territory than others (Beer & Keeton, 2011:2).

For the purpose of this study, countries that nationalised or gained control of the mineral and petroleum sector will form the core focus. This is will be done by paying attention to several individual indicators of each country with the aim to identify key features of the success or failure of nationalisation in each. These indicators include the form of government in each country, the population, the process of nationalisation, policies regulating nationalisation, the relationship between the government and the private sector and the results of nationalisation in each case. In addition to the indicators, the study will make a brief analysis of the contribution made to each economy.

The key objective will be to analyse individual countries that have made nationalisation beneficial for their population. This will be with specific reference to the steps that were followed towards successful nationalisation. In the same vein, the study will also focus on the countries that failed in the nationalisation process, with specific reference to the processes - including the relevant role players.

3.3.1 Norway

Home to 5 165 800 people, Norway is one of the leading economies in the world. Norway is a constitutional monarchy, where the ceremonial functions are currently vested in King Herald V. Although the Norwegian Constitution permits some of its important executive powers to the King, they are mainly executed by the Council of State in the name of the King. The King is also the symbolic Commander of the armed forces in Norway. Norway also has a Council of State, which is under the leadership of the Prime Minister, currently Erna Solberg (Norway Legislative Council Secretariat, 2014:1).

As a relatively unpopulated country, Norway has accumulated its wealth from oil and gas, which was discovered in the early 1970’s. The discovery of oil deposits in this period proved to be the turning point in Norway’s economic history. It was at this point where the process of nationalisation in Norway began. As Norway ventured into exploring beyond its shores for oil in the 1950s, its government created a rent-centred regime that would benefit the state in a massive way. This created the obligation for international oil companies to carry their own financial risk (Du Plessis *et al*., 2012:143). At this point, the explorations of oil and gas deposits in the North Sea were dominated by foreign companies, and simultaneously the government of Norway began to play a crucial role in the way in which the exploration of oil and gas was going to benefit the people of Norway.

A key feature central to the Norwegian model was the political consensus which was centred on the fundamental principles of the petroleum policy, which had the principle of ‘national steering’ at the forefront (Appiah-Adu, 2013:264). What this meant was that all matters relating to petroleum operations were going to be under the close watch of national authorities. These included the systems that were put into place, various policies and strategies all introduced with the aim of governing the petroleum sector in the best interest of the nation.

One of the key elements in the petroleum activities of Norway was the role that was played by the state. Petroleum activities in Norway in the 1970’s were allowed to operate with more freedom, however with at least 50 percent participation from Norwegian representatives comprising of both the Norwegian government and Norwegian companies (Appiah-Adu, 2013:264).

Currently, the involvement of the Norwegian government in petroleum affairs has continued to benefit the country and its people. Some of the key elements in Norway’s success in their ownership of strategic resources are attributed to three major factors. These factors include the history of oil and gas development, the presence of basic regulatory frameworks in the hydroelectric sector, the public interest issues, which include the development of the economy and protecting Norway’s economic dominion and the future of the country beyond oil (Qobo, 2011:40).

One of the key contributions to Norway's economic success has been the partnership between the Norwegian government and the private sector. This is seen with the ownership of Statoil, which is a partnership between the government and private investors, where the government has a 70% stake in the company, with the private investors holding the remaining 30% being (Qobo, 2011:41). Irrespective of the government's majority stake in Statoil, it continues to function as a private entity.

Although the government of Norway has this majority in the shares of Statoil, they are committed to promoting a variety of activities that promote revenue generation for the company, which ultimately contributes positively to the economy of Norway. These factors include a commitment to commercial efficiency, the encouragement of foreign private sector participation to benefit from technology and skills, appropriate institutional mechanisms for excellence in governance (SIMS, 2014:14).

The success of Norway's petroleum industry has mainly been attributed to the regulatory framework that has been followed to ensure that the success of the industry is to the benefit of the general population. This regulatory framework in Norway is founded on the model of transparency. The role players in this regard are the Ministry of Finance and the Department of Mining and Petroleum.

One of the government's key objectives is to connect the value of the rents generated from their petroleum towards the prosperity of the nation and to also preserve the wealth generated from petroleum for future generations. The Ministry of Finance has placed emphasis on the fact that they regard the extraction of petroleum as a source of rents that need to be taxed heavily for the benefit of the people of Norway. Through the Ministry of Finance and other key national institutions, the government of Norway made the decision that they would be directly and actively involved in the day-to-day operations of Statoil instead of being the conventional revenue collector (Qobo, 2011:41).

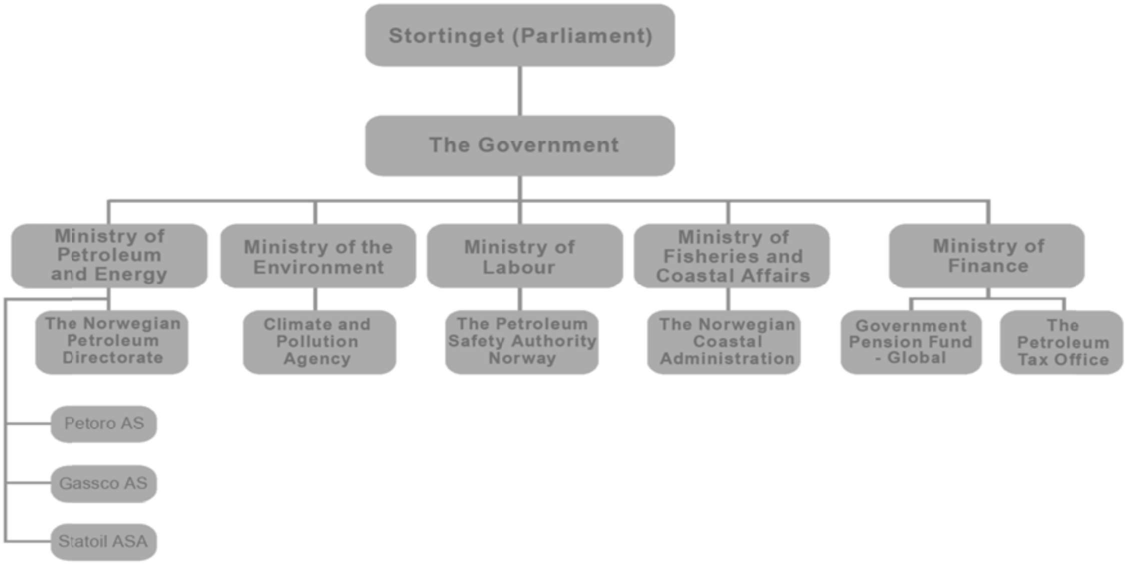
The government of Norway views the extraction of oil as an action that contributes to the long-term financial weakening of its economy. It is because of this that the Norwegian government has necessitated asset replacement in order to ensure the preservation of wealth in the form of an Oil Fund, which is created through the collection of taxes in the industry (Qobo, 2011:42). The tax that the Oil Fund generates to ensure that the money generated from oil does not get leaked into the economy is done so to avoid all the risks associated with inflation.

One of the other contributing factors to the successful involvement of the state in the petroleum industry is the structure of the regulatory bodies. Norway is characterised by its strong public service, which works towards the successful implementation of the governments' policies (Havro & Santiso, 2008:18). While the Ministry of Finance carries the responsibility for the governments' fiscal system, it is the Ministry of Petroleum and Energy that is responsible for the petroleum sector. The Ministry of Petroleum and Energy in Norway has been mainly mandated with the overseeing the political control of the state over the exploration and production of petroleum and energy (Moses, 2010:130).

Statoil is the one example of a company that has a certain degree of government control, which falls under the regulation of the Ministry of Petroleum and Energy. The Norwegian Directorate performs as a subordinate agency and it mainly delivers regulatory and advisory functions to the Ministry of Petroleum and Energy. The Norwegian Petroleum Directorate was mainly established as an enforcement agency to allow for the successful implementation of safety regulations in the exploration of oil (Moses, 2010:130).

Another powerful tool that the Norwegian government uses with regards to the taxation on its natural resources is the average weighted tax. This tax stands at an average of approximately 80%, 28% of which includes corporate tax or "super-profit tax". Figure 4 illustrates the composition of the Norwegian government and their link to the petroleum sector of the country.

Figure 4: Regulatory Framework of Norwegian Petroleum Industry



Source: MPE Fact Sheet (2012)

The Norwegian model of governance of its petroleum industry has undoubtedly witnessed a fair degree of success and this is largely due to the fact that there is a history of political accord between all the role players, most notably the government and private investors (Appiah-Adu, 2013:264). Norway has always had exemplary traditions of sound governance in the petroleum sector as they have always modelled honest governance that has had integrity and transparency at its core. These are some of the principles that are essential for the success of for any public institution.

Du Plessis *et al.* (2012:144) have identified a number of reasons, as highlighted by Cappelen and Mjoset (2009), which have contributed to the success of the Norwegian model. The first of these reasons is attributed to Norway's policy of incorporating their natural resources industries with the economy through numerous links. Secondly, key institutions were structured in such a way to handle any economic hiccups that were prevalent in the production of petroleum. The Norwegian government's involvement in the local petroleum industry is not a case of nationalisation. Beer and Keeton (2011:34) state that the Norwegian case was as a result of what had happened during the discovery of oil and gas in the late 1960's. The discovery of oil and gas in Norway has been attributed to the private companies that were at the centre of its exploration at the time. Special reference has also been made to the fact that the creation of Statoil by the Norwegian government cannot be seen as nationalisation. Beer and Keeton (2011:34) coin it as the “creation of a state-owned organisation” that has produced positive outcomes due to the thriving relationship that exists between the government of Norway and its private sector.

Norway has accumulated its wealth from petroleum resources. A successful component of nationalisation is the political consensus that ought to exist between the government and the corporate sector. This was the case in Norway where both the government and the corporations worked towards a petroleum policy that was aimed at transforming the economy. One other factor that contributed to the successful nationalisation of petroleum resources in Norway is the limited involvement of government officials in petroleum activities. They continue to exercise an oversight role whilst they allow the skilled labourers to take care of the day-to-day operations of Statoil. One other important component that contributed to the success of nationalisation in Norway is the regulatory framework that consists of a number of ministries that play an important role in the states’ involvement in petroleum resources.

3.3.2 Botswana

Botswana is regarded as one of the top economies on the African continent. Their growth since gaining independence in 1966 has been rapid and this has propelled them to unprecedented levels of growth in the African context (Lewin, 2011:81). Botswana gained its independence from Britain in 1966. Home to just over two million citizens, Botswana is a representative democracy where President Mokgweetsi Masisi performs his duties as the head of state and the head of government in a multi-party system. The legislative system of Botswana is vested in the government of Botswana and the parliament of the country. The judiciary of Botswana is independent of the other two branches of the government. According to a study conducted by the global anti-corruption agency, Transparency International, Botswana has been identified as the least corrupt country in Africa, a continent that has been plagued by corrupt activities that have hindered the pace of development on the continent (Transparency International, 2015).

Since gaining independence in 1966, Botswana has made significant strides as far as the growth of its economy is concerned. It has moved from being one of the poorest nations in Africa in the 1960's to be one of the leading economies on the continent. Much of this economic progress in Botswana can be attributed to the contribution made by the various sectors to the local economy. Agriculture, manufacturing, construction and tourism are just some of the sectors that have contributed to the economy of Botswana. Although the aforementioned sectors contributed to the growth of the economy and development, it is the mineral sector that dominates the economy of Botswana. Table 1 illustrates how each sector has contributed to the economic growth in Botswana in 2012.

Table 1: Multiple Sector Contribution in Botswana for 2012

Sector	**Contribution to GDP (%)**
Agriculture, Hunting, Forestry and Fishing	2.9
Mining	21.9
Manufacturing	6.4
Electricity, Gas and Water	-0.5
Construction	7.4
Wholesale and Retail Trade, Hotels and Restaurants	16.6
Transport, Storage and Communication	6.2
Finance, Real Estate and Business Services	15.9
Public administration, education, health and social work, community, social and personal services	46.4

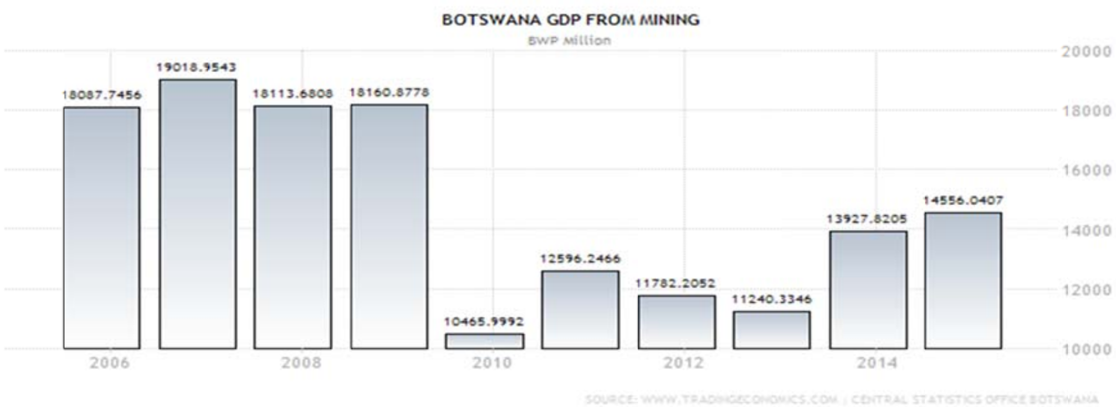
Other Services	6.8

Source: African Economic Outlook (2014)

One of the key features of Botswana's success in the mining industry is primarily attributed to the partnership that has been established between De Beers and the Government of Botswana, known as Debswana. Established in 1969, Debswana is the largest diamond producer in Botswana and the largest in the world in terms of value (KPMG, 2014:22). In the early stages of this partnership between the government of Botswana and De Beers, the government of Botswana had a 15% stake in the company (KPMG, 2014:22).

It was not until 1974 that the stake of the government in the diamond producing company was increased to 50% (KPMG, 2014:22). This partnership between the government of Botswana and De Beers has set Botswana apart from most of its African counterparts, most of which are experiencing great economic challenges that have been caused by the excessive involvement of government in the economic sector. Figure 5 illustrates the contribution of the mining sector to the GDP of Botswana between 2006 and 2014.

Figure 5: Contribution of the Mining Industry in Botswana



Source: www.tradingeconomics.com/central (2015)

The government's prime objective for the mining sector, in general, is to maintain the maximised economic benefits from the sector for the benefit of Botswana whilst allowing investors to receive a healthy return on their investments (De Beers, 2010:20). Government policy on mining encourages the exploration and development of new mines. It also promotes opportunities for linkages to the rest of the economy with the aim of expanding value-added activities, specifically with regards to the downstream dispensation of minerals, giving it commercial feasibility. The monetary, legal and policy structure for the exploration of minerals, mining and the processing of mineral resources in Botswana is constantly being reviewed with the aim to make it more competitive. This was evident with the changes that were made in the Mines and Minerals Act in 1999 and the Income Tax Act in 2006 (Government of Botswana, 2).

One of the key features of this 50/50 partnership is the manner in which business and politics are separated. The government of Botswana has allowed Debswana the freedom to operate autonomously. They do acknowledge that the day-to-day operations of the mining sector have their own complexities that need to be addressed by those who hold the expertise (Qobo, 2011:35). The aim of the government is to ensure that natural resources are managed in a manner that will further expand economic growth and the development agenda of Botswana (Qobo, 2011:35). It is for this reason that the government of Botswana has made the decision to keep a sizable distance between themselves and the mines, therefore keeping the trust of the investors in their economy.

Another key feature contributing to the success of the mining sector in Botswana and the Debswana partnership is its regulatory model. The government of Botswana has placed the responsibility of regulation on their Ministry of Minerals and Water Affairs, without placing any complexities in the framework (Qobo, 2011:38). The government of Botswana has designed the tax structure so that the diamond mining sector pays more taxes than other local industries. The marginal rate overall is at 81%, which also includes the mining royalties, corporate tax and “super-profit’ tax, which is commonly imposed on mining companies that generate sizable profits around the world (Qobo, 2011:38).

Coetzee (2010:60) has also illustrated the importance the partnership that exists between the government of Botswana and De Beers in the country’s diamond sector and the regulatory framework that exists to ensure that the diamonds produced benefit of the people of Botswana. Due to the mutually beneficial nature of this public/private partnership between the government and De Beers, the government of

Botswana identified the need to update mineral legislation (Coetzee, 2010:60). This prompted the revision of the Mines and Minerals Act of 1977 in order to integrate changes that were intended to enable the issuing of exploration and mining rights and to further make government involvement in new developments that could invite more investors (Coetzee, 2010:60).

When analysing the Botswana case, Beer and Keeton (2011:32) again state that what has happened is not a case of nationalisation, but that it is rather the participation of the state in the mining industry. What Beer and Keeton point out here is that the government of Botswana did not acquire control of the diamond mines through force without any compensation, but that the 50% owned by the government was gained through a thorough negotiation phase where it was agreed that this was the way to go in order to build the economy and develop the country for the benefit of its people.

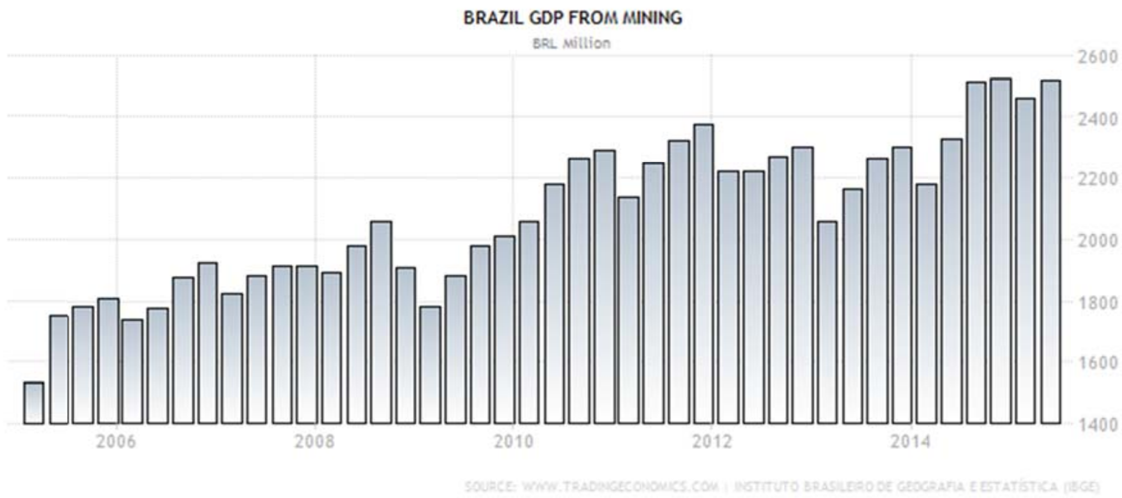
The case of state intervention in Botswana is one that has been viewed to be a partnership rather than it being nationalisation. This is a view held by some commentators. The government of Botswana has allowed their involvement in Debswana to maximise the economic benefits whilst they have maintained their end of the bargain in allowing for the return on investment for the investors. This, as in Norway, has been achieved with minimal political interference. The government tasked itself with ensuring that the minerals are managed in a manner that will expand economic growth and development. In addition, a key feature of nationalisation in Botswana is the regulatory model where the Ministry of Minerals and Water Affairs is responsible for matters relating to the mining sector. Furthermore, a tax structure has been designed where the diamond sector pays more towards taxes than other local industries.

3.3.3 Brazil

As the fifth largest country in the world geographically, Brazil is home to over 200 million citizens. Under the leadership of Michel Temer, who is the head of state and the head of government, Brazil is a constitutional democracy that is guided by a presidential system. As a democracy, Brazil also has three separate branches of government who all perform their duties independently from each other (OECD, 2010:39).

The steady rise in the Brazilian economy has propelled it into being one of the fastest growing economies in the world over the last few years. One of the key contributors to the Brazilian economy is their mining and petroleum sectors. The exports of minerals in Brazil has contributed immensely to the impressive improvement of the country's overall external stability, from what was a highly undesirable position where the Brazilian currency was in a crisis in the late 1990's (ICMM, 2013:6). The mineral sector accounts for 33% of the total exports by 2010 from an estimated amount of 22% in 1995. This rise in the Brazilian economy made a significant contribution to the GDP of the country, as illustrated in Figure 6.

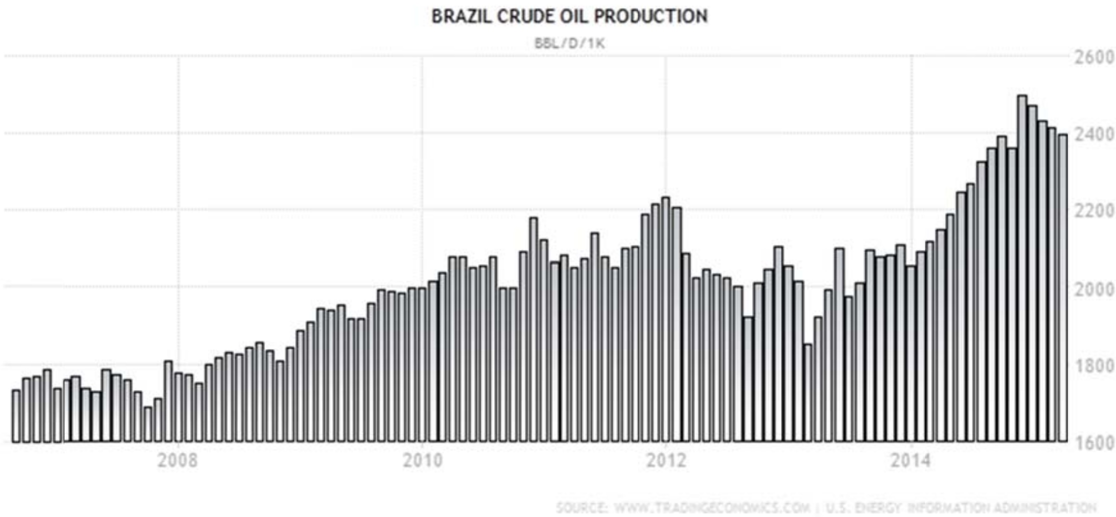
Figure 6: Contribution of the Mining Industry in Brazil



Source:www.tradingeconomics.com/central (2015)

Another key sector that has consistently contributed to the Brazilian economy is their oil and gas industry. The contribution of the oil and natural gas sector in the GDP of Brazil increased from 3% in the year 2000 to 12% by 2010. One of the driving forces behind this resurgence in Brazil's petroleum sector is Petrobras, which has an enduring strategy in place to invest a sum of US$ 220.6 billion between 2014 and 2018 and is working towards doubling the current level of oil production by the year 2020 (Agencia Brasil, 2015). In addition to this, rising oil prices have contributed to Brazil's economic rise over the last few years. Figure 7 illustrates the steady increase that took place in the production of crude oil in Brazil, which contributed immensely to the economic growth between 2006 and 2015.

Figure 7: Contribution of Crude Oil Production



Source:www.tradingeconomics.com/central (2015)

The Brazilian government has been heavily involved in the economy, more particularly in the oil sectors. Although their involvement has contributed to a certain degree of success, there have been challenges as far as the involvement of the state in the economic sector is concerned. Brazil's mining and energy sector is known for their obscure and incompetent structures in terms of how the sector is managed (Qobo, 2011:54). The majority control of the oil and energy sector in Brazil remains in the hands of the state through Petrobras. When compared to Norway and Botswana, the involvement of the state in the Brazilian economy is dominated by political appointees.

One such example is the main petroleum regulator, Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (English: National Agency of Petroleum, Natural Gas and Biofuels), which is developed under the Act of Congress in 1997, is predominantly made up of political appointees (Qobo, 2011:54). Under the umbrella of the Ministry of Minerals and Energy, ANP's regulatory activities oversee oil, natural gases and the biofuel industry. ANP's regulatory tool is an authoritative one as its day-to-day business involves the awarding of rights and licences to the exploration and development of oil and gas in Brazil. In addition to the ANP, the

CNPE is another regulatory model that has also been established under the Act of Congress in 1997 which is mandated with making decisions regarding the allocation of contested territories (Qobo, 2011:55).

The involvement of the Brazilian government in the mining sector is not as extensive as their involvement in the energy and petroleum sector. The government of Brazil has allowed the flagship mining company Vale a certain degree of autonomy with regards to its daily operations. This is due to the fact that the Brazilian government has acknowledged the importance of Vale in its objectives of achieving the country's developmental goals. However, tensions between the government and the investors in Vale have persisted due to the conflicting views regarding the strategic focus of the company (Qobo, 2011:55).

One of the reasons behind this tension is the developmental focus expressed by the government through the Brazilian Development Bank (BNDES), which represents the government in a shareholder capacity. The mining sector in Brazil has also experienced tension between the government and private investors regarding the role that the state wants to play in the local economy, in an attempt to leave the market space, open to the private sector without any interference whatsoever. One such example is the pressure that the government has put on Vale with respect to its investment in the domestic production of steel. The government argued that the production of steel would contribute to the creation of jobs domestically with a lower profit margin for the shareholders (Qobo, 2011:56).

The mining sector in Brazil has been a target of a regulatory overhaul for some time and the reason behind this objective is for the government to realise their developmental objectives as best as possible. The regulatory model in Brazil is one that involves a variety of institutions that are there to ensure that all relevant mineral policies are adhered to by all those involved in the mining sector. This regulatory authority is shared by the Ministry of Mines, the Department of National Petroleum and Minerals and Companha de Pesquisa de Mineiras (CPRM). The code, which ensures the effective governance of the mineral sector in Brazil is Law 9314 of the mining code, states that all exploration licenses and developmental operations are issued by the Ministry of Mines and Energy (Qobo, 2011:57).

Malikane (2011:15) has also attributed Brazil's recent economic growth to the role that has been played by their government in the resource sector, despite the challenges that led to the privatisation of Vale in 1997. There are still a number of questions surrounding the circumstances that could have led to the privatisation of Vale. To this day, the backbone of Brazil's economic well-being comes mainly from Vale and Petrobras. The remaining entities that are owned by the state continue to lead the strategy for Brazil's economic well-being.

As with the cases of Norway and Botswana, the events of the state participation in Brazil have been viewed as measures of state ownership rather than nationalisation by Beer and Keeton (2011:26). The view that has been expressed here is that the state-owned entities in Brazil have been developed from their foundation rather than being taken over from the private sector by the government. The ownership of strategic entities in Brazil has been seen to be nationalistic in terms of the development of resources and they are largely classified as entities that are publicly owned rather than nationalised.

The challenge experienced by Brazil was the nature of the political appointees that dominated the petroleum sector. The regulatory framework of the Brazilian petroleum sector was one that saw the Ministry of Minerals and Energy having an oversight role. However, the mining sector in Brazil experienced less state interference. The government allowed for a less direct approach in mining activities as they acknowledged the important role that it played in the developmental goals of the country.

3.3.4 Chile

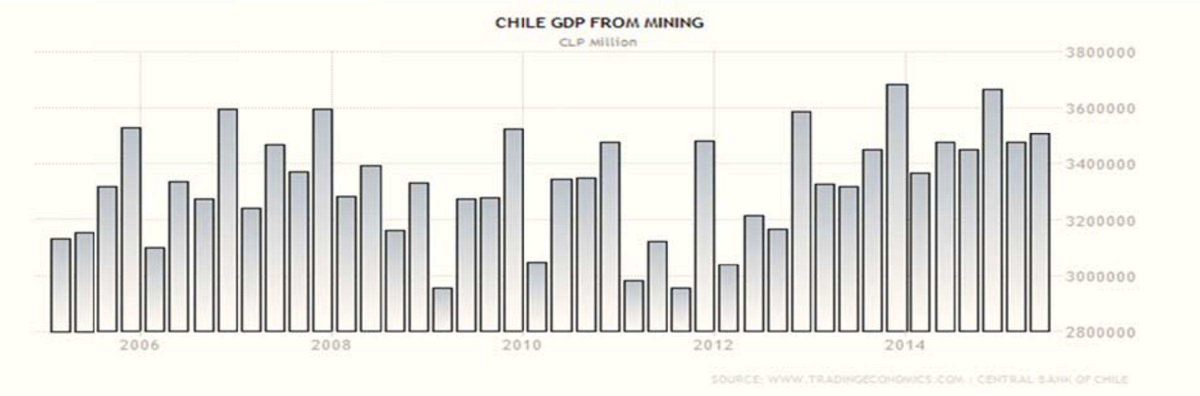
Home to an estimated 18 million people, Chile is a unitary constitutional republic under the leadership of President Sebastián Piñera, who acts as both the head of state and the head of government. Chile has a judiciary that acts independently from the government. The legislative power in Chile is vested both in the executive and the legislative body of the country (Global Edge, 2016).

Chile is one of the copper-producing countries that nationalised this key industry (Beer & Keeton, 2011:31). Formed in 1970, Codelco is Chile's flagship copper-mining company (Kragt, 2005:15). It was established by former statesman Salvador Allende, with the hope that the funds generated from copper would increase the revenue of the Chilean government. To this day, Codelco remains in the hands of the government and this is mainly due to the fact that Codelco finances the Chilean Defence Force. The initial phase of nationalisation in Chile took place during a period where the Chilean government was leading the country towards a new system of Marxist governance.

With a renowned history of nationalisation, Chile is one of the more successful cases compared to other countries. The abundance of copper has led to Chile being one of the leading producers of copper in the world, with a third of the copper reserves in the world under the control of flagship copper producing company, CODELCO. It is important to take note of some of the success has that taken place in Chile and the contribution that copper mining and the mining industry has made as a whole, regardless of its fluctuation in terms of its contribution to the GDP. The nationalisation of copper in Chile is an example of the governments' persistence in fighting for what has contributed to the development of the country.

Mining has led the country towards greater levels of wealth and prosperity and is a large part of the reason why Chile is well on its way to being considered a first world economy. Chile is, by far, the world's dominant producer of copper ore but this position should not be taken for granted. Rising costs, declining productivity and rising social and regulatory pressure in the areas of community engagement and environmental sustainability are hampering the sector's profitability and ability to remain globally competitive. These aspects have contributed to the recent decline as illustrated in Figure 8.

Figure 8: Contribution of Mining to Chile GDP



Source: www.tradingeconomics.com/central (2015)

More than five hundred companies have been privatised all around Chile. CODELCO, however, remains with the majority of its shares in the hands of the state after more than forty years. The establishment of CODELCO has in recent years, increased government's revenue (Kragt, 2005:14). In addition to this, the revenues generated from the mining sector were efficiently managed. One of the main reasons behind Chile's success was the initiation and execution of applicable economic policies and political adjustments following the restoration of democracy in Chile.

This success has been identified by Kragt (2005), as a number of aspects that have contributed to Chile's economy in a positive way. The first of these was the restoring of political harmony when Chile became a democracy in 1990. This return to democracy allowed the Chilean government to initiate an open market system with a transparent legislative and regulatory framework and a stable economic and political climate.

These changes provided an important stepping stone in Chile's economy as they helped improve the level of investment (Kragt, 2005:15). As a result, the state benefitted from the exploitation of minerals through a partnership that involved the private investors and the state being in joint ownership of the mineral sector in Chile. This method of regulation from the Chilean government allowed private investors to embark on new mineral investments despite the establishment of CODELCO.

The mineral legislation in Chile is based on the legal protection of mines and the mining industry is also under the protection and regulation of the Constitution. The government in Chile has total dominion over all mines but nonetheless, the ownership of titleholder over mining is protected by the constitutional guarantee of the private property (Pinera, 2004:298). The mining industry is regulated by the Constitution of the Republic of Chile, the Constitutional Organic Law of Mining, the Code and Regulations governing Mining, the Code and Regulations governing Water Rights, and the Laws and Regulations governing Environmental Protection as related to mining.

Chile’s mining industry is mainly controlled by the mining code, based on a legal protection to mining property and the mining industry (KPMG, 2011:9). The mining ministry manages the enterprise to mining companies under this mining code and, in addition to this the government has initiated specified foreign investment regulations that are attractive in order to entice foreign investments in the local mining industry (KPMG, 2011:9). Foreign investment is administered by The Foreign Investment Statute and Chapter XIV of the Central Bank’s Compendium of Foreign Exchange Regulations. These rules have encouraged market leaders to start operations in the country.

The granting process is regulated by the judicial courts and the mining administrative aspects are governed by the National Service of Geology and Mining. One of the main characteristics of nationalisation in Chile is the solid legal-based defence to the property on the mining concessions; transparent rules for foreign investors; limited discretional authority; a judicial-based system for granting mining property; and the possibility of entering into investment agreements with the State of Chile to facilitate access to tax invariability regimes. Protection is based on mining licensers instead of minimum mining activities and an environmental system that recognises the mining industry as a main actor in the industry.

The abundance of copper in Chile has allowed for the government to tap into the resource to grow the country’s development. The establishment of CODELCO has allowed for the production of copper to increase the fiscal capacity available to the Cuban government. The success of Chile’s involvement in the copper industry can be attributed to applicable economic policies and their implementation thereof. The government also maintained good relations with investors, which made way for the effective and beneficial management of CODELCO. The constitution has also played a key role as it has ensured the protection of mining activities.

In cases of nationalisation, one has identified just how important the state is with regards to the role they play in the process. It may be argued that the idea behind nationalisation in each country may be influenced by the social needs that confront the government of any country. However, studies have shown that for nationalisation to be successful, it is important to ensure that the process takes cognisance of a number of factors that may come into play. One of the more important considerations is the relationship that the government has with the private sector and those who own the resources that the government aims to nationalise. This relationship plays an important role as it seeks to balance the economic and social needs of the country.

Another important consideration is the regulatory framework that ought to take place. Having the ideal government institutions taking care of the essential components is extremely sensitive and it requires strategically drafted and executed policies in order to guarantee the successful operation of nationalisation that will address its core mandate. Another important consideration of nationalisation would have to assess the impact that it ought to have on the country, specifically when looking at the economic and social impact it has had and ought to have. Tables 2 and 3 illustrate the impact of nationalisation in the countries analysed in this chapter.

Table 2: Successful Cases of Nationalisation/State Ownership

Country	Nationalisation/State Ownership	Economic Impact	Social Impact
Norway	Norwegian Government has a 70% stake in Statoil.	A strong economy that is characterised by the governments' commitment to commercial efficiency.	The people of Norway are exposed to a high quality of life.
Botswana	Botswana Government has entered into a 50/50 partnership with De Beers.	One of the leading economies in Africa. Their partnership with foreign private investors has ensured a sustained level of economic growth over the years.	High levels of inequalities still exist despite the level of growth in Botswana.
Brazil	The government of Brazil controls the majority of the oil and energy sector through Petrobras. The Brazilian government also has a stake in local mining through Vale.	Brazil's economy has been one of the fastest growing economies in the world over the last couple of years.	Brazil is characterised by high levels of inequality and a high level of criminal activity

Chile	The government in Chile has a stake in the copper producer, CODELCO.	Chile has sustained a healthy level of growth over the years.	Despite the sustained levels of growth, Chile remains a highly unequal society with high levels of crime.

Table 3: Unsuccessful Cases of Nationalisation/State Ownership

Country	Nationalisation/State Ownership	Economic Implications	Social Implications
Zambia	The Zambian Government nationalised copper mining in the name of Africanisation and national development after gaining independence.	The effects of nationalisation in Zambia eventually led to the privatisation of the copper mines due to the global drop in copper prices, which impacted negatively on the local economy.	Zambia continues to be a country where a vast majority of the population suffers from poverty.
Venezuela	The government of Venezuela has nationalised oil and gas amongst other industries.	The local economy in Venezuela is in decline as a result of a slowdown in FDI.	Venezuela remains a highly unequal society where huge gaps exist between the rich and the poor.

Bolivia	The government of Bolivia has nationalised the oil and gas amongst others	The economy of Bolivia has been stagnant due to the shortage of FDI coming in.	High levels of poverty and criminal activities exist in Bolivia.

3.4 Conclusion

This literature review has highlighted the complexity involved in creating a sustainable economic environment in the wake of the nationalisation of key state entities, particularly mineral and petroleum resources and the institutions linked to these resources. The nationalisation process is usually driven by the need for the resources of a country to be used to serve the interests of people rather than foreign businesses and investors.

Employment can be created by increasing the government's intervention and regulations. The Zambian case of nationalisation was accompanied by lack of international capital market and mismanagement of revenues from mineral companies by the government. In a few cases, like CODELCO in Chile and Statoil in Norway, the management of the state-owned companies was as competitive as the management of private companies.

It is also important to note the importance of the regulatory framework and the role played by the state in the nationalisation process in any given instance. The cases of Norway and Botswana are prime examples of how a partnership that is governed by sound policy frameworks and institutions leads to the kind of partnership that contributes to the economic success of the country. These case studies will allow the researcher to draw on some comparisons to South Africa and what the South African government can do in order to implement nationalisation successfully.

Chapter Four: NATIONALISATION OF MINES IN SOUTH AFRICA; AN OVERVIEW

4.1 Introduction

As the debate on the nationalisation of mines continues, there are a number of issues that need to be addressed in order to take the debate further insofar as public administration is concerned. One of the more important aspects to take into consideration is the legislative framework that involves the mining sector and its relationship with the public. Such aspects would include questions of how mines and their activities may benefit South Africa and its people. In so doing, the role of the state must be analysed for establishing the progress that it has made in ensuring that mining activities benefit the economy and the people. Another aspect of interest on nationalisation seeks to assess the performance of state-owned companies/enterprises, which would take into consideration the governance of these institutions and how they have contributed to the South African economy. The measurement of the contributions made by these entities will provide useful insights on the effects of the attempts to nationalise the mines in South Africa. This chapter will assess the legislative framework regulating the mining industry and the impact it has made in South Africa.

The Public Financial Management Act (1999) has classified state-owned enterprises in South Africa into schedules (Dawood, 2014:4). South Africa has 282 state-owned enterprises (National Treasury, 2015). Schedule 1 entities are referred to as constitutional institutions (National Treasury, 2015:1). These institutions are mandated with promoting and the protecting the constitutional democracy of South Africa. These include the Commission on Gender Equality, the Office of the Public Protector and the Office of the Auditor-General of South Africa (National Treasury, 2015:1). Schedule 2 entities are institutions that contribute to the economic activities of the country through producing outputs sold in the marketplace (Dawood, 2014:5). These institutions also contribute towards the overall objectives of the government, for example Alexkor Limited, the Airports Company of South Africa Limited, the Central Energy Fund (PTY) (LTD) [CEF], ESKOM, South African Airways (PTY) (LTD) [SAA] and the South African Broadcasting Corporation Limited (SABC) to all but name a few (Dawood, 2014:5). The core of the study will be analysing the

Schedule 2 entities and their management processes as a motivation for/against the nationalisation of mines. Schedule 3B and 3D entities are known as a government business enterprise (Dawood, 2014:5). They are relatively smaller and usually have to fund themselves, with a small portion of funding coming from the government (Dawood, 2014:5). These include the National Youth Development Agency, the Public Investment Corporation Limited and the Passenger Rail Agency of South Africa (National Treasury, 2015:7). Schedule 3A and 3C are generally an extension of government departments where they assist the government with economic and social objectives (Dawood, 2014:5). These include institutions such as the African Renaissance and International Corporation Fund, the Commission for Conciliation Mediation and Arbitration and the Competition Commission to all but name a few. This chapter will also analyse Alexkor, AEMFC, Eskom, SAA and the SABC. The reason behind the analysis of these institutions is the important role they play in the South African economy. This analysis will seek to draw the successes and failures of state intervention in key state-owned institutions.

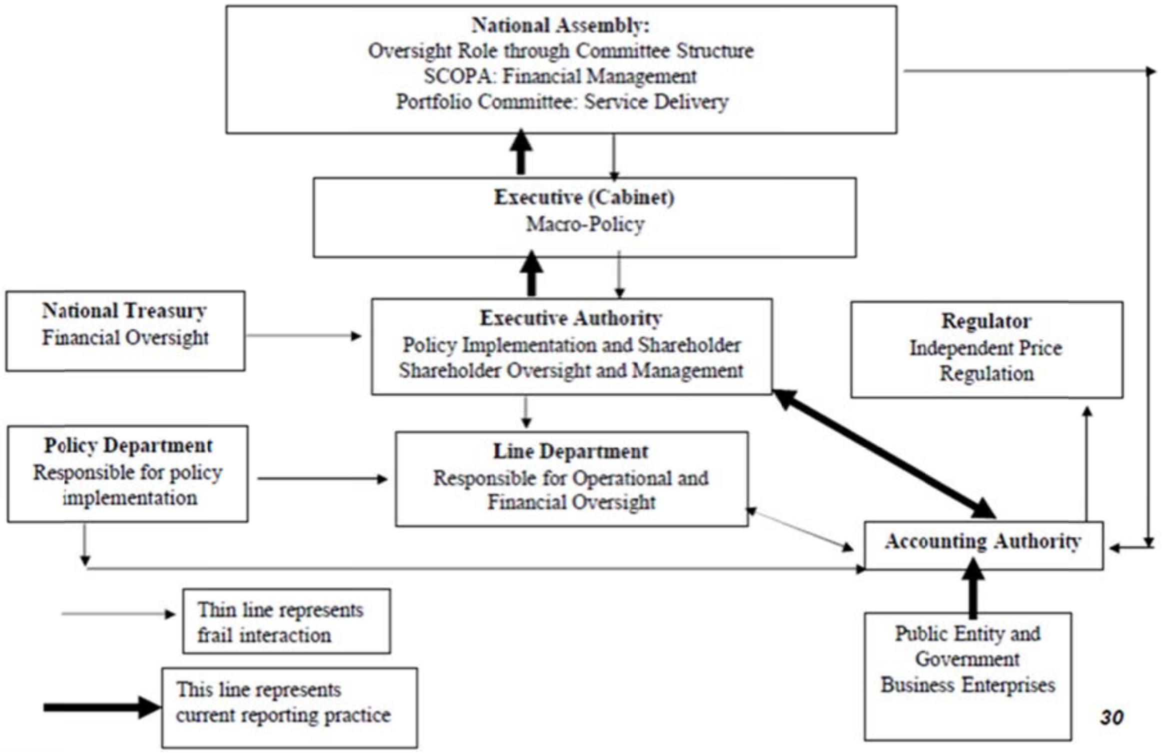
As vital sources of income and services to the state, SOE’s have not had the best record of accomplishment in recent years, which is because of a number of factors. These include political interference, a conflict of interest, financial mismanagement and recent reports of state capture. Recent cases of SOE’s representatives having strained relationships with political representatives have also cast a shadow of doubt over the performances of SOE’s. For example, the relationship between former finance minister, Pravin Gordhan and former SAA chairperson, Dudu Myeni. The strained relationship stems from the poor management of the airline that has seen the former Minister threaten to take stern action against the former SAA Chairperson (Fin24, 2016). One other key component that has contributed a lot towards the failure of certain SOE’s has been the questionable appointments of some board members and executives. Certain appointees do not possess the necessary requirements to hold the positions. For example, the appointment of the former Group COO at the SABC, Hlaudi Motsoeneng illustrates this questionable appointment (Kanyane & Sausi, 2015:36). Hlaudi Motsoeneg did not possess the necessarily required qualifications for the Group COO position. This point will be further elaborated upon in Section 4.7 of this chapter.

The assessment of South Africa's SOE's provides a platform for the nationalisation debate as there are a number of common factors that exist between the composition and characterisation of SOE's and what defines nationalisation once the state has control of strategic resources. This comparison forms the basis for the logical arguments that could be either for or against the nationalisation of mines in South Africa. This chapter will specifically endeavour to identify factors that have contributed towards the success of certain SOE's, whilst also identify factors that have led to the inefficiencies of others. This analysis will seek to highlight the positive and negative aspects that will provide the findings and the overall recommendation on this particular debate, based on the evidence gathered from the five SOE's in this chapter.

4.2 State-Owned Enterprises in South Africa: Background

State-owned enterprises continue to be one of the cornerstones of South Africa's economy as they are some of the key role players in infrastructure development (McGregor, 2014:1). Beyond this, SOE's are also at the forefront of service delivery in some respects where Eskom is the primary supplier of energy to South African households and businesses and one of the biggest employers. State-owned enterprises in South Africa have been a subject of well-documented controversies over the last couple of years. The recent report on state capture has cast SOE's in a negative light, with Eskom, Transnet, Denel, SAA and SABC being some of the institutions implicated. These include the involvement of some executives within these SOE's with the Gupta family and a number of other government officials including former DMR Minister, Mosebenzi Zwane and ANC Secretary General, Ace Magashule, just to name a few. Beyond this, the poor performances of SOE's have led to calls for privatisation to avoid the inefficiencies and maximise profits. South African SOE's serve under a number of structures as illustrated in Figure 9. The purpose of each body, Parliament, the Department of Public Enterprises, National Treasury, the Department of Energy and the Department of Mineral Resources is to play an oversight role over SOE's and their functions.

Figure 9: Governance of SOE's in South Africa



Source: National Treasury (2006)

4.2.1 Parliament

The role of Parliament in South Africa goes beyond holding the executive to account. Parliament is comprised of a number of committees that are there to play an oversight role over state utilities. A recent example of such has been the Parliament Portfolio committee that is looking into allegations on state capture in SOE's as highlighted in former Public Protector, Thuli Madonsela. However, these committees do not have decision-making powers. They are restricted to making recommendations based on their findings. Within Parliament, there is also SCOPA. SCOPA is tasked with reviewing audit reports that are presented by the Auditor-General (Dawood, 2014:16). One of the main objectives of SCOPA is to focus on all public institutions and their financial compliance with the PFMA and the Treasury Regulations. One of the more recent examples of SCOPA and their oversight role involving an SOE was during the recent SABC case that involved a number of financial irregularities found within the national broadcaster.

4.2.2 Department of Public Enterprises

The Department of Public Enterprises was established in 1994. Their formation came because the newly elected government wanted to optimise the SOE's and ensure that they add value to the economy. Under the Department of Public Enterprises, there are a number of SOE's that contribute to the economy through infrastructure development, mining, transport and broadcasting. The Department of Public Enterprises' mandate is to act on behalf of the government as a shareholder that represents the government in all SOE's. As an executive shareholder in SOE's, the Department of Public Enterprises has the added responsibility of ensuring that there are sound corporate governance practices. Responsible corporate governance within SOE's seeks to hold the executives to account and for them to deliver on financial, environmental and social targets (McGregor, 2014:2). The Department of Public Enterprises uses four guidelines to measure the performance of these entities. These include infrastructure investment and delivery; operational and industrial efficiency; financial and commercial viability and governance and regulatory compliance. One of the core mandates of the Department of Public Enterprises is the strategic management of SOE's and moving SOE's towards the growth strategies found in the NGP.

4.2.3 National Treasury and the PFMA of 1991

As a crucial financial custodian of the government and all state institutions, the National Treasury provides financial oversight through the composition of guidelines that stipulate the manner in which public institutions present and report on their information. One such example is the Treasury Regulation (Dawood, 2014:17). Beyond this, National Treasury must also ensure that they enforce the strong management of SOE's as well as complying with the PFMA. The PFMA forms part of crucial legislative frameworks established for the purposes of efficient and effective public financial management. It aims to play an oversight role in the financial management of all spheres of government as well as public entities, which include SOE's (Kanyane & Sausi, 2015:31).

Furthermore, the PFMA also seeks to ensure accountability in public institutions as well as the responsible management of revenue, expenditure, assets and liabilities of all public institutions (Visser & Erasmus, 2013: 56) (PFMA, 1991:1). The PFMA's oversight role in SOE's is particularly important as it affects not only the economy but also service delivery objectives for those SOE's that provide a service. Chapter Six of the PFMA makes provision for guidelines on the management of SOE's. Section 50 highlights the four major fiduciary duties of accounting authorities of SOE's. These include exercising the duty of protecting the records and assets of the institution, acting with honesty and integrity, providing information relating to the executives and preventing instances that may weaken the state financially.

4.2.4 The Department of Energy

The Department of Energy is another executive institution that plays an oversight role in some of the SOE's in South Africa. They too hold the executive authority assigned to them as illustrated in Figure 9. Their objectives are to enable institutions to execute their legislative mandate and creating an environment that facilitates economic growth whilst improving the lives of South Africans. Under the Department of Energy is the CEF, which oversees the day-to-day business of the AEMFC. Their role in the state-owned mining company is critical as they act on behalf of both the Department of Energy and the Department of Public Enterprises.

4.2.5 The Department of Mineral Resources

The Department of Mineral Resources plays an oversight role in the minerals sector. This oversight role allows the Department of Mineral Resources to promote transformation and growth in the minerals sector in South Africa. The Department of Mineral Resources consists of the Mineral Policy and Promotion Branch tasked with formulating policies that seek to attract investors to South Africa's mining sector (Department of Mineral Resources, 2015:301). The strategic goals of the Department of Mineral Resources are:

- promoting an increase in mining activities, thus adding value to the sector and the resources;
- implementing transformative policies to redress the sector;
- providing a framework that facilitates health and safety regulations in the sector;
- to obtain and develop the best skills for the mining sector; and

- to promote corporate governance strategies.

The governance of SOE's in South Africa is crucial to South Africa's growth as well as to the service delivery objectives. The relationship between the relevant role players is interrelated and it is one which may be compared to countries that have successfully nationalised their mineral and petroleum resources to benefit their populations as well as their economies. An overview of SOE's in South Africa provides some insight as to whether the idea of nationalising the mines would benefit or cripple the prospects of the country.

Below, the identified five SOE's performances will be investigated over a five-year period. An analysis of these SOE's will particularly focus on governance issues, legislative compliance, financial performances and social impact. These five SOE's have been selected on the basis of their contrasting financial performances and management styles. The analysis of these five organisations will also seek to establish the details of the level of the political interference that takes place within these institutions.

4.3 Alexkor

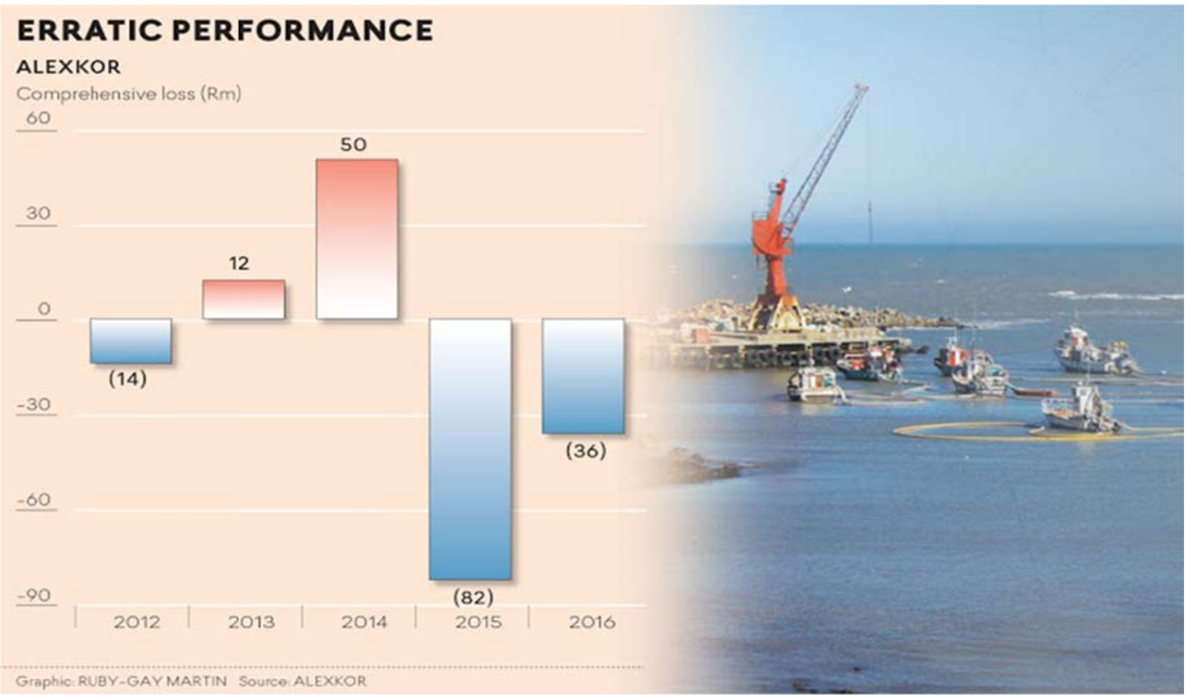
Alexkor is a diamond mining company that does much of its work in the Namaqualand region. The government owns Alexkor, where the Minister of the Department of Public Enterprises is a shareholder representative of the government. Alexkor was established under the Alexkor Limited Act, No. 116 of 1992. The Act was later amended by the Alexkor Amendment Act, No. 29 of 2001 (Alexkor, 2013:4). As a state-owned mining company, Alexkor plays a major role in the developmental agenda of the state. They do this by competing with private mining corporations nationally and internationally. Alexkor has also been one of the biggest employers in South Africa. Furthermore, Alexkor has done great work in terms of contributing to the community, where they have spent R 4.3 million on Corporate Social Investment and R 3.3 million for specific educational programmes (Alexkor, 2017:11).

Alexkor operates under the authority of the Department of Public Enterprises, National Treasury and the Department of Mineral Resources and is responsible for ensuring that they achieve the Key Performance Indicators prescribed by the Department of Public Enterprises. Beyond this, the Department of Public Enterprises has also tasked Alexkor with achieving the short and long-term business objectives that conform to the NDP (2030) and the NGP. The National Treasury also plays a major role in the affairs of Alexkor. As a Schedule 2 public entity, Alexkor is responsible for ensuring that they submit corporate plans, financial statements and integrated reporting to National Treasury (Alexkor, 2017:12). As a state-owned mining company, Alexkor is also under the authority of the Department of Mineral Resources. The Department of Mineral Resources' oversight role over Alexkor is to focus on the transformation of the company. A key piece of legislation is the Mining Charter, which seeks to promote a larger representation of previously disadvantaged groups in executive positions.

Alexkor has committed itself to ensure that they work towards principles of good governance. These principles of corporate governance within Alexkor must be compliant with the Companies Act, the PFMA and the Alexkor Limited Act (Alexkor, 2017:76). However, Alexkor has experienced some challenges in recent years. The company has experienced high rates of staff turnover, where there has been some degree of instability in crucial positions. The CEO and CFO positions have particularly experienced large-scale changes over the last few years. Although Alexkor has managed to stay afloat, they have experienced a lot of challenges and suffered financial losses. Between 2014 and 2015, they went from R50 million in 2014 to R 82 million in 2015 (Mathews, 2016).

Alexkor's financial shortcomings have further been characterised by the irregular expenditure of R 6.9 million which took place in 2015. An independent audit conducted on Alexkor's financial management has revealed that the corporation experienced a good deal of wasteful and irregular expenditure during the 2016/2017 financial year (Alexkor, 2016). This report also reveals that the supply chain processes were in contravention of the PFMA section 51 (1) (a) (iii). The report also reveals that there have been a lot of deficiencies in the internal control processes of Alexkor for the 2016/2017 financial year. These are leadership, financial and performance reporting, as well as governance challenges. These internal processes have contributed to Alexkor's poor financial position, despite the government's best efforts in reassuring the public that it is generating sizable revenue to ensure growth.

Figure 10: Alexkor Financial performance: 2012-2016



Source: Alexkor (2016)

Listed below is a summary of Alexkor's challenges in governance from 2012 to 2017:

2012

- Alexkor achieved only 19 out of 29 targets, which were set for the 2011/2012 financial year. This is a direct result of the inadequate setting of targets during the planning phase.

2013

- Fruitless and wasteful expenditure amounting to R 146 980 was accumulated because of the penalties of late payment which were imposed by South African Revenue Services.
- The procurement processes of Alexkor did not comply with fair supply chain procedures in accordance with section 51 (1) (a) (iii) (Alexkor, 2013:54).
- Beyond this, there was inadequate action from the accounting authority to deal with the expenditure of Alexkor.

2014

- During the 2013/2014 financial year, the independent auditor wasn't given sufficient information by management, something that contravenes the responsibility of the accounting authority of the PFMA.

2015

- For the 2014/2015 financial year, Alexkor again avoided taking necessary steps in ensuring that prevent fruitless and wasteful expenditure, again contravening the PFMA.

2016

- Alexkor again experienced a process where the correct channels of supply chain procedures were not followed.
- Fruitless and wasteful expenditure amounting to R 6 940 150 was unpunished. In addition to this, the accounting authority failed in taking action and preventing this irregular expenditure.
- The accounting authority also failed in dealing with the irregularities that plagued the supply chain processes.

2017

- The accounting authorities failed to correct any problems relating to financial mismanagement, supply chain processes and internal controls.
- The Audit and Board Committee failed in their duty to ensure compliance with laws that govern Alexkor.

The overall view of Alexkor brings a number of factors into play. Whilst it may be suggested that Alexkor's challenges stem from the reduced demand for diamonds, the administrative process is to blame. Beyond this, it may be argued that the appointment of questionable executives and board members has further contributed to the mismanagement of this entity.

4.4 AEMFC

The AEMFC is a state-owned mining company that was established in 2011 by then-President Jacob Zuma. The establishment of this company came at a time where South Africa had to secure its energy supply through mining coal (AEMFC, 2015:1). The AEMFC is under the authority of the CEF, which falls under the DPE as well as under the authority of the Department of Mineral Resources. The AEMFC has been established under the AEMFC Bill, which grants the company access to acquire and develop mining-related activities on behalf of the state and in the interest of South Africans. Just like Alexkor, the AEMFC plays a crucial role in the developmental agenda of the government as it continues to encourage state participation through mining, beneficiation and infrastructure development to all but name a few.

Beyond its mining activities, the AEMFC also supplies coal to Eskom, giving them a very important role in the South African economy. Working under the CEF, the AEMFC is also a Schedule 2 public entity according to the PFMA. As a result, they must comply with corporate governance plans. The AEMFC also works in accordance with the Department of Mineral Resources policies. These include the Mineral and Petroleum Resources Development Act and the Mining Charter. As a relatively new entity, the AEMFC has experienced a growth trajectory since its inception. During the 2015/2016 financial year, the AEMFC recorded revenue margins that grew to R 376 million from R 235 million from the previous financial year (AEMFC, 2016:9). Figure 11 illustrates the revenue patterns of the AEMFC over a four period where the growth has been a steady rise.

Figure 11: Revenue and margin: **AEMFC 2013-2016**

Source: AEMFC (2016)

Despite this success, the state-owned mining company has also experienced its fair share of regulatory challenges, which have been identified by the Auditor-General. For the 2015/2016 financial year, the Auditor-General found that the accounting authority at the entity did not take necessary steps to curb the irregular expenditure of R 497 197 and R 874000. Auditor-General had also made a significant finding that the accounting authority of AEMFC did not fully exercise their oversight role, which led to the non-compliance of the relevant legislation. These findings were also evident in the preceding financial years between 2013 and 2015. Listed below is a summary of some successes/challenges that the AEMFC has experienced between the financial years of 2013 to 2016:

2013

- The Auditor-General found that the management at the AEMFC did not take the necessary steps to curb fruitless and wasteful expenditure.
- During this financial year, the corporation achieved 24 of its 31 targets, giving it a 77% success rate.

2014

- The procurement processes contravened the supply chain processes as stipulated in the PFMA section 51 (1) (a) (iii).
- Management did not take the necessary steps to curb fruitless and wasteful expenditure.
- It was found that the financial statements contained errors that could have been avoided if the management implemented the necessary control measures.

2015

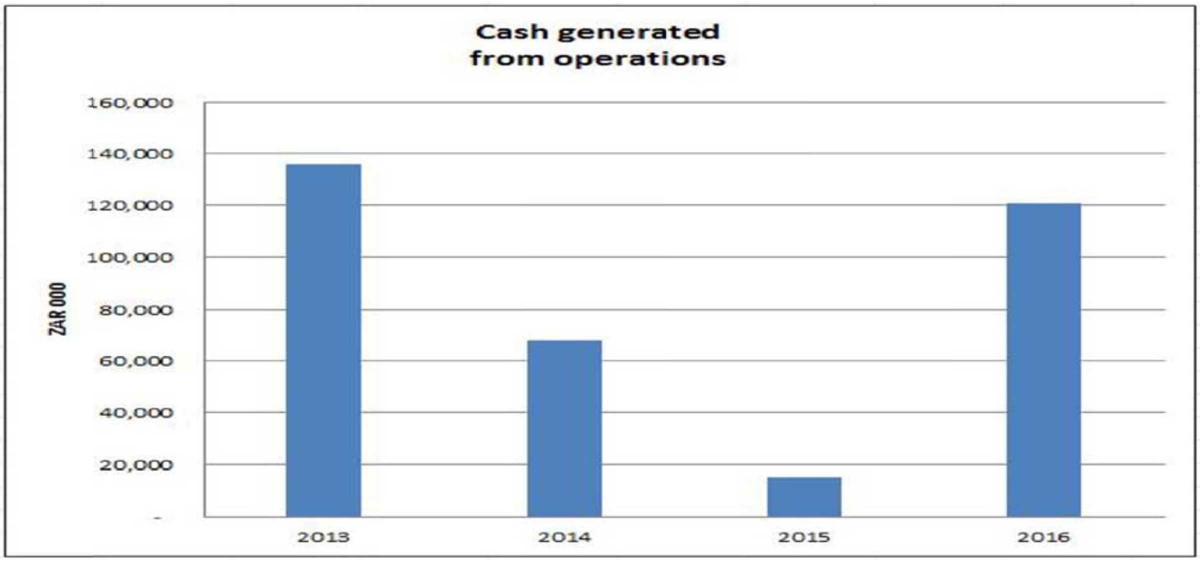
- Management did not take the necessary steps to curb fruitless and wasteful expenditure.

2016

- Expenditure management proved to be a challenge again as there was irregular expenditure to the sum of R 497 179. Furthermore, a sum of R 874 000 of fruitless and wasteful expenditure was recorded for this period.

Irrespective of the challenges that the AEMFC has experienced in recent years, the company continues in its quest to achieve its operational targets. The AEMFC's operations have generated a large sum of cash and this is due to the ambitious targets set by the company. The management of the AEMFC recognised the failures of the operations in previous years, which resulted in a rapid decline in their operational cash generation as illustrated in Figure 12 (AEMFC, 2016: 9). Although there have been some challenges along the way, the AEMFC is a good example of good management processes can produce the desired result for any organisation. The AEMFC is also a good example of how decentralisation in an SOE delivers efficient results, as is the case with the Statoil in Norway and Debswana in Botswana. The decentralisation of Norway's oil sector and Botswana's diamond sector provide critical examples of the successful management of mineral resources by the state.

Figure 12: Operational Income: AEMFC 2013-2016



Source: AEMFC (2016)

4.5 Eskom

Eskom was established in 1923. They are the largest supplier of energy in South Africa, generating about 95% of electricity to the nation (Dawood, 2014:31). Eskom's shareholding power is vested in the DPE, where the minister represents the government in her executive capacity. Electricity generation is the main function of Eskom. However, Eskom is also active in the electricity supply chain processes, which includes the distribution of energy to consumers such as industry, mining, business and residential consumers (Eskom, 2011:13).

From its inception in 1923, Eskom operated independently. However, in 1994 the power utility was taken over by the newly elected government (Kenny, 2015: 5). Between 1923 and 1994, Eskom was under very little government regulation and during this period, it was highly successful and self-servicing. Since then, Eskom has experienced a lot of challenges. Due to the new legislation formulated in 1994, the government's first task at Eskom was to transform the power utility by getting rid of the technocrats that managed Eskom before 1994.

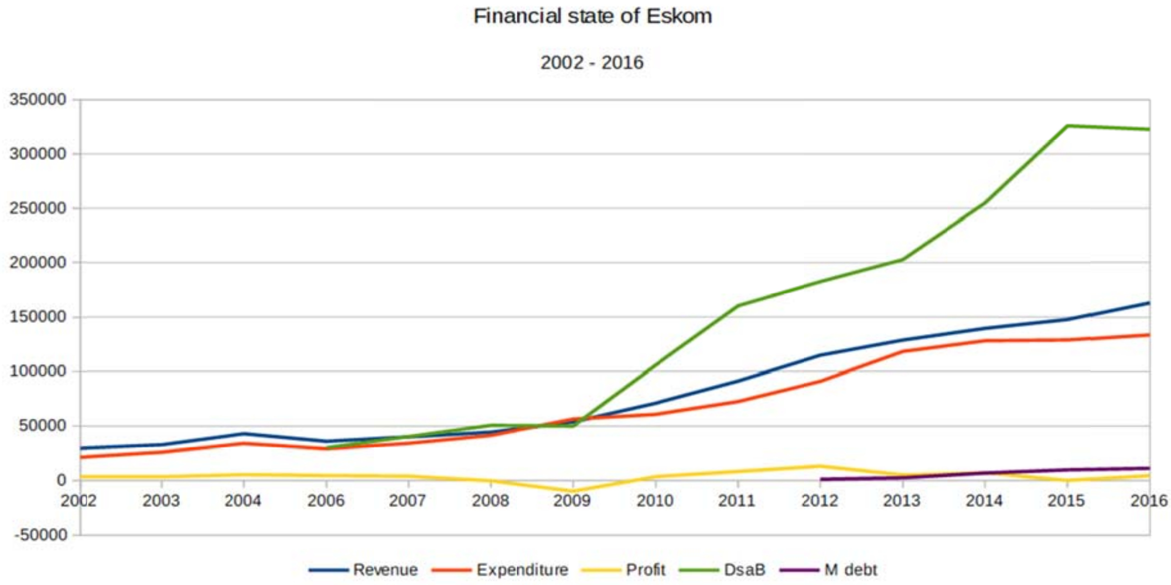
Since this period, Eskom has experienced a steady decline, especially in 1999 when its reserve margin went down whilst the demand for energy was on the rise. This eventually led to a period of load shedding, which affected the economy negatively. More recently though, Eskom's performances have been affected by high electricity tariffs, them not building additional power stations on time, wasteful expenditure and the outsourcing of services that they themselves could fulfil (Fourie, 2014:35). Although Eskom has experienced a good deal of improvement in their revenue, profits continue to be low. Table 4 and Figure 13 illustrate Eskom's financial performances over a projected period.

Table 4: Eskom: **Revenue and Profit FY 2012–2016 (R Billion)**

	2012	**2013**	**2014**	**2015**	**2016**
Revenue	114 847	128 869	139 506	147 691	163 395
Profit/Loss	13 248	5 183	7 089	3 618	4 617

Source: Eskom (2012-2016)

Figure 13: Eskom Financial Performance 2002-2016



Source: Business Tech (2017)

Eskom has also been a subject of an investigation following allegations of improper supply chain processes as well as financial misconduct within the power utility. An example of this is the awarding of contracts to Optimum Coal Mine and Tegeta. In her State of Capture Report, former Public Protector Thuli Madonsela investigated a number of allegations that were made against a number of SOE's, including Eskom. In that report, the Public Protector raises a number of issues that relate to the relationship that the Eskom management had with the Gupta family, Duduzane Zuma and several ministers, including Mosebenzi Zwane of the Department of Mineral Resources and Public Enterprises Minister, Lynne Brown. Furthermore, the Public Protector's report on State Capture at Eskom makes the following findings (Office of the Public Protector, 2016):

- Tegeta supplies coal to the Arnot Power Station at an estimated cost of R470 per ton. Eskom at the time paid around R580 per ton when transport costs are taken into consideration. This made Tegeta's six-month contract is worth nearly R700 million;
- The Tegeta contract has its irregularities when compared to other Eskom contracts. Eskom pays around R231 per ton. Despite the excessive cost of

Tegeta's coal, the company was awarded a long-term coal supply contract to the Majuba and Hendrina power stations;

- The report also found that Eskom's board was appointed using the incorrect channels. This process contravened the principles of good corporate governance; and
- Madonsela found that the Eskom board failed to ensure accordance to the PFMA. The contract between Tegeta and Eskom had potentially instituted a breach of the board's obligation to avoid fruitless and wasteful expenditure.

The alleged role of Eskom in the State of Capture Report is one that paints a critical image of good governance in SOE's as well as responsible and ethical leadership at the executive level of the government. Despite some of the financial challenges that confront Eskom, it is issues of leadership from an accounting authority level and a shareholding level that have placed Eskom firmly in an administrative crisis. Non-compliance with the PFMA and irregular procurement processes at Eskom are an example of the impact of a centralised SOE. When linking this to nationalisation, Eskom illustrates the role of the government in the failures of nationalisation.

4.6 SAA

SAA is South Africa's flagship airline that conducts its business within South Africa and across its borders. Operations at SAA started in 1934. SAA's shareholder representation is held by the Department of Public Enterprises with the minister being the representative of the government. SAA is also operating under the South African Airways Act, No. 5 of 2007. SAA also operates under the legislative guidelines of the PFMA as a Schedule 2 entity. As a public entity, SAA, just like Eskom, has experienced a lot of challenges over the last ten years. These are both governance and financial challenges. In 2012, SAA saw a high number of staff turnovers at a board level (McGregor, 2014:12).

Reasons behind these resignations are attributed to the difficult working relationship that some board members have had with the Department of Public Enterprises and its representatives. Again, this is indicating a high degree of political interference at the airline. Former Minister of the Department of Public Enterprises, Malusi Gigaba had made a number of questionable appointments at the airline. The appointments of Vuyisile Kona and Nico Bezuidenhout as acting CEO's are just some of the examples of Malusi Gigaba's involvement at the airline with both appointments being particularly questionable to the SAA board and the public.

Furthermore, the SAA has been confronted with a number of financial challenges, which have led to a number of bailouts from the National Treasury. For the 2013/2014 financial year, the airline suffered losses to the sum of R 2.5 billion and R 4.5 billion for the 2016/2017 financial year (Ensor, 2017). The problems at SAA have prompted calls for it to be privatised from opposition parties, who have blamed the governing party for the problems at the national carrier. In total, SAA has received a total of R 11 billion in bailouts between the period of 1991 and 2012 (Smith, 2013) (Tsheola *et al.,* 2013:29).

Figure 14: SAA Financial Performance 2009-2016

Source: OUTA (2017)

There have been a number of independent audits conducted over SAA and its internal control processes as well as its financial affairs. Listed below are the findings of independent audits conducted between 2012 and 2016:

2012

- For the 2011/2012 financial year, the irregular expenditure of R 128 million was recorded. This was an increase from 2011, where irregular expenditure was at R 19.9 million (SAA, 2012:52).

2013

- For the 2012/2013 financial year, the irregular expenditure at SAA was sitting at R 33.8 million, whilst fruitless and wasteful expenditure was at R 19.9 million (SAA, 2013:57).

2014

- For the 2013/2014 financial year, the irregular expenditure of R 28.4 million was recorded, with fruitless and wasteful expenditure sitting at R 19.2 million (SAA, 2014:90).

2015

- For the 2014/2015 financial year, SAA recorded R 68.5 million in irregular expenditure, whilst it recorded the fruitless and wasteful expenditure of R 52.7 million (SAA, 2015:87).

2016

- For the 2015/2016 financial year, SAA recorded irregular expenditure to the value of R 5.4 million, whilst it recorded fruitless and wasteful expenditure to the value of R 7.3 million (SAA, 2016:93).

The case of SAA is characterised by the extensive state intervention, which can be perceived as a strong form of political interference by the shareholder. The involvement of Malusi Gigaba as the Minister of Public Enterprises at the national carrier created great instability both at the board and executive levels. The actions of the former minister contributed towards the poor performance of the airline in recent years. This was particularly highlighted in the dismissal of former CEO, Vuyisile Kona, after only four months in office. Minister Gigaba was directly involved in his dismissal. The former minister’s actions show a total disregard of following the correct procedures during the hiring and the termination processes. The executive overreach into SAA has had dire consequences on government funds due to the extensive bailouts it has received. SAA is a practical example of how the state may contribute directly to the success and failure of a nationalised or state-owned company.

4.7 SABC

The SABC is South Africa's national broadcaster, mandated with producing and broadcasting current affairs, sports and entertainment content in South Africa and parts of the continent. Governance processes at the public broadcaster have come under a cloud of heavy criticism in recent years. The SABC has been a subject of widespread political interference since 1994, where the appointments of executives and board members were politically motivated (Fourie, 2013:3).

The resignation of Dr Ben Ngubane as the Chairperson of the SABC board in 2013 highlighted the severity of the political interference at the national broadcaster. The resignation came as result of allegations of corruption levelled against former Communications Minister, Dina Pule. Under Pule's leadership, a high number of resignations at a board and executive level characterised the SABC (Fourie, 2013: 4). The board appointed in 2009 by Dina Pule resigned after just eight months at the SABC (Fourie, 2013:3-4). Some of the reasons for their resignations included the ministers' lack of effort and support in promoting a swift turnaround for the national broadcaster. They also highlight that the poor governance and extensive involvement of the DOC have led to their resignations (Fourie, 2013:4).

The SABC was not only exposed to Dina Pule's leadership. Former Minister, Faith Muthambi also played a major role in the political interference and corruption at the SABC. In 2014, former Public Protector investigated allegations of corporate governance deficiencies, maladministration and the controversial appointment of Hlaudi Motsoeneng as the Chief Operations Officer (Kanyane & Sausi, 2015:35). The Public Protector filed a number of findings around the appointment of Hlaudi Motsoeneng as the Chief Operating Officer of the SABC (Office of the Public Protector, 2014:10-11). The Public Protector's report found that the SABC board failed in ensuring strategic oversight set out in the SABC Board Charter and the King III Report. The report also found that the Group Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer failed to provide the necessary leadership as they failed to ensure that the board fulfils its fiduciary duties. Finally, the report indicated that the board was inefficient and reckless as they allowed a non-executive chairperson to assume the executive role in approving a number of salary hikes for the COO.

The SABC has also experienced a lot of financial challenges, some of which may be attributed to the governance of the public broadcaster. In June 2017, acting Chief Eexecutive Officer Nomsa Philiso revealed that the SABC owed its creditors R 597 million, which has since increased beyond R 600 million (Ndenze, 2017). During the 2016/2017 financial year, the SABC recorded a loss of around R 1.1 billion before tax. The profit/loss margin has increased dramatically over the last five years (SABC, 2017:14). Figure 15 illustrates the financial challenges being experienced at the SABC between 2013 and 2017.

Table 5: SABC Financial Performance: **2013- 2017**

	2017 R (Millions)	2016 R (Millions)	2015 R (Millions)	2014 R (Millions)	2013 R (Millions)
Income	7,560.1	8,092.2	7,559.6	7,173.8	6,710.5
Expenditure	8,640.4	8,685.3	8,147.6	6,788.1	6,595.7
Operating Profit/(Loss)	(1,080.3)	(593.1)	(588.0)	385.7	114.8
Finance Income	27.1	27.4	47.7	78.4	36.9
Pre-tax Profit/(Loss)	(1,053.2)	(565.7)	(540.3)	464.1	151.7

Source: Public Media Alliance (2017)

Listed below is the SABC's financial standing from 2013 to 2017.

2013

- During the 2012/2013 financial year, the irregular and wasteful expenditure of R 106 million was recorded. This came as a result of non-compliance with tender procurement processes (SABC, 2013:81).
- Furthermore, the Auditor-General also found that the tender contracts awarded by the SABC did not comply with the appropriate procedures as the contracts were awarded to suppliers who were non-compliant with their tax matters.
- The Auditor-General also found that the SABC's accounting authority did not take decisive steps in promoting good governance as they failed to maintain the effective and transparent financial and internal control systems.

2014

- For the 2013/2014 financial year, the SABC reported a sum of R 3.3 billion in irregular expenditure (Makinana, 2014).

2015

- For the 2014/2015 financial year, the SABC recorded fruitless and wasteful expenditure to the sum of R 61.8 million (SABC, 2015:141).
- Irregular expenditure for this period was at R 2.6 Billion (SABC, 2015:140).

2016

- For the 2015/2016 financial year, the SABC recorded a sum of R 5.1 billion in irregular expenditure (SABC, 2015:140).
- They also recorded fruitless and wasteful expenditure to the sum of R 92.9 million.

2017

- For the 2016/2017 financial year, the SABC recorded irregular expenditure of R 4.4 billion (SABC, 2017:138).
- Whilst they recorded fruitless and wasteful expenditure to the sum of R 145.9 million.

As a vital state entity, the SABC has failed in its governance processes as well as management of their finances. The primary reason is the political hand that seeks to control the internal affairs of the SABC. The political interference that stems from

Dina Pule's leadership has continued to compromise the efficient management of the SABC to this day. The fight for political influence over the public broadcaster has led to a number of questionable appointments at a board and executive level. The case of the SABC also provides some insight as to what may happen if South Africa were to ever consider nationalising the mines. Valuable lessons in terms of governance may provide policymakers with greater insight on the matter.

The case of the SABC provides an important aspect of ineffective management practices in a public institution which has dire consequences. The challenges experienced at the SABC over the last couple of years stem from the excessive involvement of politicians in state institutions. The political interference at the national broadcaster has created instability that has caused poor performances over the year consistent with the excessive involvement of politicians. Furthermore, the SABC has also made questionable appointments in key executive positions, which have created a good deal of instability within the management of its finances as well as its operational objectives. The study of the SABC in relation to nationalisation also points to one important conclusion: political interference in state-owned institutions may have extreme consequences. The case of the SABC illustrates massive losses that would prove to be costly in the context of nationalisation. Stability plays a major role in any organisation and this would be no different if it were to occur under the nationalisation of mines.

4.8 Conclusion

The analysis of these organisations provides an important insight into the study of nationalising the South Mines in South Africa for a number of reasons. These organisations fall under the authority of the government. These SOE's also played a major role in the economy of South Africa, which means that the effective management of these organisations has a major influence in determining the success and the failure of the proposed nationalisation of mines in South Africa. The analysis of the organisations studied in this chapter also provides reasons as to why nationalising the mines may or may not work based on the performances of the above mentioned SOE's. The nationalisation of mines in South Africa may likely operate under the authority of the Department of Mineral Resources and the Department of Public Enterprises. The success of the nationalisation of mines in South Africa is likely to be dependent on the level of political interference within the nationalised mines. The role of the state could be vital to ensure the successful implementation of nationalisation.

The analysis of South Africa's SOE's provides a platform for the debate on the nationalisation of mines to go to the next level of discussion and deliberation. This analysis provides valuable lessons, some of which may be compared to cases of where nationalisation failed. A central theme in the analysis of South Africa's SOE's is the level of political involvement in the entities. What remains prevalent in this study is the measure in which the funds of these entities have been wasted with impunity. Very little has been done to address the level of patronage that takes place at SOE's. It is for this reason that the nationalisation of mines in South Africa must remain a debate until South African can see a rise in ethical leadership at a political and corporate level.

One of the vital lessons for the nationalisation of mines in South Africa would be avoiding the mistakes made by the Zambian government during the 1970's. The profitability of the mines is essential to the ultimate goal of nationalisation, which is to ensure that the state has additional financial capabilities to deliver on the developmental goals of the state. The Zambian government failed due to their shifting focus away from the profitability of the mines (Limpitlaw, 2011:737). This ultimately led to the steady decline of the Zambian economy. The balance between profit and social development will be crucial to the successful nationalisation of mines in South Africa. This may only be possible if the government and businesses work towards a common goal, as is the case with Norway and Botswana, who provide the best example of a decentralised entity that ultimately benefits the people. The successful and unsuccessful cases of nationalisation provide a basis for what may work and what may not work for South Africa in terms of nationalising the mines. These cases also illustrate the crucial role played by the state within the nationalisation process.

CHAPTER FIVE: INTERPRETATION OF THE FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

The role of the state in the management of its resources has always played a crucial role in the domestic affairs in all countries as well as contributed towards the development of the economy. It is for this reason that the nationalisation of mines has been a highly debated issue in South Africa. Since the ANCYL's proposal to nationalise the mines in 2009, various sectors of society have been vocal on the matter. The first school of thought comprises of persons who support nationalisation and argued that the resources of the state must benefit its citizenry. The second school of thought held that nationalisation would threaten the country's economy.

These contrasting arguments motivated an investigation of such possibilities in South Africa. What seems to be missing in this debate is the deep understanding of the required role of public administration. A significant consideration in analysing these possibilities is the role of the state because it is crucial; the decisions could have far-reaching implications. The best and worst practices of nationalisation in this study highlighted the central role of the state in the management of mineral and petroleum resources. The examples in Chapter Three illustrated the importance of the government in the administration and governance of state resources. The critical role of the state in the nationalisation process is determined by policies that govern these entities, the role-players appointed to implement these and the relationship that the state has with the corporates, who may have had the sole ownership of the entity before the involvement of the state. Therefore, the aim of the study is highlighting the role played by the state in the management of its mineral and petroleum resources. Furthermore, the study also sought to establish the interaction between the state and corporates and how this interaction contributes to the success and failure of nationalisation.

The findings of this study are highlighted in this chapter, which focuses on each country expounded upon in Chapters Three and Four. From these findings, recommendations are provided in relation to South Africa by taking examples from each country and how these can best be applied by the government should nationalisation occur. These findings and recommendations will be followed by a proposal for South Africa, where the case for the nationalisation of mines or the ownership of the mines might be crucial in promoting economic and social development. This will be specific to the role that public administration should play in the nationalisation process. However, the potential challenges in the process leading to the nationalisation of mines cannot be ignored since these may contribute towards the success or failure of this proposal.

5.2 Synopsis of Previous Chapters

The study conducted a detailed analysis on nationalisation and how it can be used as a medium of development in South Africa. Chapter One provided an introduction to the study and debate of the nationalisation of mines in South Africa; nationalisation was linked to public administration; the history of nationalisation globally was briefly analysed including how it has developed over the years; a background to calls by the ANCYL in 2009 to nationalise the mines and other sectors of the economy to address the developmental agenda of the government; a brief overview of the contrasting arguments to nationalisation in South Africa was also provided. Reference was also made to the Freedom Charter (1955) and how it has influenced the calls for nationalisation by the ANCYL as well as highlighted the objectives of the research and limitations. Given the limited research conducted on this particular study, a case study methodology has been adopted through the use of documents and data that have been provided by various authors.

Chapter Two of the study analysed the concept of Public Administration. This analysis formed the basis for grounding Public Administration to nationalisation along with the role of the government in the success and the failure of nationalisation in other countries. Chapter Two also analysed the development of Public Administration from Lorenz von Stein to Gulick and Urwick. Chapter Two also made reference to the generic functions of management and how crucial they are in the successful implementation of government policy, more particularly in relation to the nationalisation process.

Chapter Three analysed the international cases of nationalisation. The purpose of this chapter was to establish the successes and failures of the nationalisation process of the selected countries. The chapter highlighted the foundations of nationalisation in Norway, Botswana, Brazil, Chile and Zambia and how it progressed over a period of time. Furthermore, the chapter highlighted how nationalisation was successful in certain countries, whilst it failed in others. The central theme in the international analysis was the role of the state in the nationalisation process, in particular, the administrative and managerial requirements, as well as the relationship the state has with the private sector. One other important aspect of Chapter Three was the analysis of the regulatory frameworks and how they contributed to the successes and failures of nationalisation in the selected countries. The analysis of the international cases provided a platform to find ways in which South Africa can execute successful strategies whilst avoiding strategies that led to failure as in some countries.

Chapter Four of the study analysed the case of South African SOE’s to motivate for the implementation or rejection of nationalisation by comparing to some examples of state involvement in the market. The analysis of the AEMFC, Alexkor, SAA, SABC and Eskom provided an indication of what attributes are necessary for the successful operation of state institutions. These five SOE’s have been selected on the basis of their contribution to the South African economy. Chapter Four illustrated the impact of political interference in SOE’s, which has led to a degree of instability within these entities. This analysis provided a framework for and against nationalisation in South Africa.

The final chapter of the study provides an interpretation of the findings and responds to the research question. Chapter Five also explains how far the research went in an attempt to answer the research question with regards to whether the nationalisation of mines will address the developmental challenges of South Africa.

5.3 Findings and Recommendations

Finding 1: The role of the state in the regulatory environment

The regulatory framework is a critical component because it ensures that the policies drafted by the government are executed. Norway and Botswana clearly illustrated that regulatory frameworks have contributed towards the success of the state’s participation in mineral and petroleum resources. Norway’s success has come as a result of a regulatory framework founded on the model of transparency that would benefit its citizenry. The Norwegian Department of Finance and Mining and Petroleum have taken up a central role in the regulatory environment of its minerals and petroleum sector.

The Norwegian Department of Finance emphasised that they view extraction of oil as a source of rent needed to benefit the people. As a result, the Norwegian government decided that being involved in the daily operations of Statoil could impact the economy negatively. Instead, the Norwegian government opted to be conventional collectors of revenue to ensure that its people benefit from their participation in the petroleum sector through their Department of Finance and other key national institutions. One of the other contributing factors towards the successful participation of the state in the petroleum industry is the structure of the regulatory bodies. Norway is aided by a sound public service, which works towards the successful implementation of the governments’ policies. While the Ministry of Finance carries the responsibility for the governments’ fiscal system, it is the Ministry of Petroleum and Energy that is responsible for the petroleum sector. The Norwegian Petroleum Directorate performs as a subordinate agency and it mainly delivers regulatory and advisory functions to the Ministry of Petroleum and Energy. The Norwegian Petroleum Directorate was mainly established as an enforcement agency to allow for the successful implementation of safety regulations in the exploration of oil.

When analysing the case of nationalisation in Botswana, the government has placed the responsibility of regulation on their Ministry of Minerals and Water Affairs and this has been done with minimal complexities in the framework. The government of Botswana has designed the tax structure in a manner that the diamond mining sector pays more taxes than other local industries. The marginal tax rate overall is at 81%, which also includes the mining royalties, corporate tax and “super-profit’ tax, which is commonly imposed on mining companies that generate sizeable profits around the world.

The regulatory model in Brazil involves a variety of institutions to ensure that all relevant mineral policies are adhered to by all those involved in the mining sector.

This regulatory authority is shared by the Ministry of Mines, the Department of National Petroleum and Minerals and Companha de Pesquisa de Mineiras (CPRM). The code which ensures the effective governance of the mineral sector in Brazil is Law 9314 of the mining code, which states that all exploration licenses and developmental operations are issued by the Ministry of Mines and Energy.

The Brazilian government has been heavily involved in the economy, more particularly in the oil sectors. Although their involvement has contributed to a certain degree of success, there have been challenges as far as the involvement of the state in the economic sector is concerned. Brazil’s mining and energy sector is known for their obscure and incompetent structures in terms of how the sector is managed (Qobo, 2011:54). The majority control of the oil and energy sector in Brazil remains in the hands of the state through Petrobras. When compared to Norway and Botswana, the involvement of the state in the Brazilian economy is dominated by political appointees (Qobo, 2011:54).

One such example is the main petroleum regulator, *Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*, which was established under the Act of Congress in 1997, is predominantly made up of political appointees (Qobo, 2011:54). Under the umbrella of the Ministry of Minerals and Energy, ANP’s regulatory activities oversee oil, natural gases and the biofuel industry. ANP’s regulatory tool is an authoritative one as its day-to-day business involves the awarding of rights and licences to the exploration and development of oil and gas in Brazil (Qobo, 2011:54). In addition to the ANP, the CNPE is another regulatory model that has also been established under the Act of Congress in 1997 which is mandated with making decisions regarding the allocation of contested territories (Qobo, 2011:55).

The mineral legislation in Chile is based on the legal protection of mines and the mining industry is also under the protection and regulation of the Constitution. The government in Chile has total dominion over all mines but nonetheless, the ownership of titleholder over mining is protected by the constitutional guarantee of the private property. The mining industry is regulated by the Constitution of the Republic of Chile, the Constitutional Organic Law of Mining, the Code and Regulations governing Mining, the Code and Regulations governing Water Rights, and the Laws and Regulations governing Environmental Protection as related to mining.

At the heart of the nationalisation process lays the successful implementation of a number of policies. Furthermore, strong policy implementation requires strong and capable leadership. The successful implementation of nationalisation also requires various stakeholders to work towards a common goal. The case of Norway presents an example of multiple stakeholders who have worked towards a common goal to develop the people and the economy without interference by political representatives.

Recommendation 1: The government of South Africa should commit to ensuring that they are the custodians of the mineral resources to benefit the people. Section 3 of Chapter 2 of the MRPDA binds them to ensure that the minerals benefit the people than a selected few.

Norway, Botswana, Brazil and Chile have all shown a commitment by the government towards the development of its people through the regulatory frameworks that have been provided for by their mineral and petroleum policies. The commitment towards the people in each country has contributed immensely to the success of the regulatory frameworks in each of the countries mentioned above. Should South Africa nationalise the mining industry, it is with no doubt that the manner in which the government administer the regulatory processes will have a major bearing on the success of this process.

The Department of Mineral Resources in South Africa operates in silos when compared to the governments of Norway and Chile in terms of promoting an effective regulatory environment in its mining sector. Through the Department of Mineral Resources, the mining industry is also regulated according to the MPRDA, the Mineral and Petroleum Resources Royalty Act, the Mining Titles Registration Act, the Mine Health and Safety Act, the National Environmental Management Act, the National Water Act, the Precious Metals Act and the Diamonds Act (ICLG, 2018). Although a state-owned mining company has been established in South Africa, there is still more that the government of South Africa needs to do in order to nationalise the mines. The AEMFC has been established to secure the energy supply of South Africa through the mining of coal and securing other resources. The establishment of the AEMFC cannot be compared to that of the Norwegian Petroleum Directorate, which has played a crucial role in being the link between the government of Norway and Statoil.

The establishment of such an institution under the Department of Mineral Resources could provide the South African government with a practical solution, should the nationalisation of mines become a reality. It would be vital for this directorate to be representative of the government and its mandate, whilst it protects the investment credibility of South Africa by ensuring that the mining companies have minimal government interference. As with the Norwegian Petroleum Directorate, this directorate will fulfil its administrative mandate in ensuring that the people of South Africa are at the core.

Finding 2: Tax structure imposed on the mining companies

The government of Botswana imposed higher taxes on diamond mining companies than any other local industry. Furthermore, it has designed the tax structure such that the diamond mining sector pays more taxes than other local industries. However, the Norwegian government utilises the average weighted tax system, which stands at an average of approximately 80%, 28% of which includes corporate tax.

Recommendation 2: The South African government may consider introducing a higher tax rate for mining companies that produce and export a specified volume of minerals.

The government would have to assess the profitability of the nationalised mines before imposing higher taxes. It is vital that government imposes a tax rate that is appropriate to the profitability of the given mine(s). By doing this, it would ensure that the mine(s) do not suffer major losses as a result of high taxes. The cases of

Botswana and Norway present the best examples of how tax rates should be determined by the revenue of the nationalised companies.

Finding 3: The relationship between the state and private investors

In the countries that have been studied, it has been found that the success of nationalisation and state-ownership is dependent on the interaction between the state and the private sector. One of the key contributions to Norway's economic success has been the partnership between the Norwegian government and the private sector. This is seen with the ownership of Statoil, which is a partnership between the government and private investors, where the government has a 70% stake in the company, with the private investors holding the remaining 30%. Irrespective of the government's majority stake in Statoil, it continues to function as a private entity. Although the government of Norway has this majority in the shares of Statoil, they are committed to promoting a variety of activities that promote revenue generation for the company, which ultimately contributes positively to the economy of Norway. These factors include a commitment to commercial efficiency, the encouragement of foreign private sector participation to benefit from technology and skills and appropriate institutional mechanisms for excellence in governance.

One of the key features of Botswana's success in the mining industry is primarily attributed to the partnership that has been established between De Beers and the Government of Botswana. Key to this 50/50 partnership is the manner in which business and politics are separated. The government of Botswana has allowed Debswana the freedom to operate autonomously. The aim of the government is to ensure that natural resources are managed in a manner that will further expand economic growth and the development agenda of Botswana. It is for this reason that the government of Botswana has made the decision to keep a sizeable distance between themselves and the mines, therefore keeping the trust of the investors in their economy.

Recommendation 3: A decentralised state-owned mining company is essential to ensure that the nationalisation of mines in South Africa is successful.

One important consideration for South Africa would be the manner in which the government exercises control over mines, especially in terms of the personnel that would be appointed to the regulatory structures or within the mining boards. Should the government of South Africa go the nationalisation route, it is important for them to keep in mind that South Africa remains a credible investment destination and this will have to be done in a number of different ways. Firstly, a major overhaul in the sector will have to be avoided, especially when it will involve the removal of highly skilled personnel from key positions within these mining companies. Secondly, a consultative process will have to be followed, where all relevant stakeholders are involved in the transition towards the joint venture of mining companies in South Africa.

Finding 4: A commitment towards the policy regulating nationalisation and state-ownership

In each case, there has been a strong commitment from each government towards the policies that govern the mineral and petroleum sectors. In addition to this, each country has committed itself to the policies regulating the role of the state in the governance of their natural resources. One of the most fundamental aspects in the nationalisation process is the policy adopted to promote its execution. Central to this is the commitment of the government to the policies that govern nationalisation. The success of nationalisation in each state is dependent on how the government works towards ensuring that all those involved in the process honour the regulations that govern the resources of the state from exploration to exporting.

It was noted in Chapter Three of the study that the Norwegian government committed themselves to the petroleum policy that had “national steering” at its core (Al-Kasim, 2013:264). Through this model, the Norwegian government had established a policy that places the petroleum operations under their watch, with the Norwegian Petroleum Directorate performing the regulatory tasks in Norway’s petroleum sector (Al-Kasim, 2013:264).

Recommendation 4: Should the government of South Africa consider nationalising the mines, it would have to take a number of factors into consideration.

Firstly, the Department of Mineral Resources along with other relevant structures would have to review the MPRDA. Reviewing the MPRDA would mean that considerations for a structured way of nationalisation would have to take place. The Department of Mineral Resources and the relevant stakeholders would have to find ways of drafting policies towards a form of nationalisation that wouldn't be to the detriment of the economy.

Secondly, the South African government will also have to establish a policy that maps out the duties of all the relevant departments involved. If they do follow a system similar to that of the Norwegian model, the Department of Mineral Resources, Finance and Public Enterprise will all have a key role to play in order to promote their commitment to the new policies regulating mining activities in South Africa.

5.4 Proposal for South Africa

The proposed nationalisation of mines in South Africa is a process that should involve a collaborative effort between all stakeholders. Each stakeholder in this process would play a pivotal role in contributing to the success or the failure of nationalisation, as was the case with other countries analysed in Chapter Three of the study. In the context of South Africa, stakeholders would have to approach this issue with extreme caution due to the complexities that South Africa faces as a young democracy. The process of nationalisation could either add to the current challenges or contribute towards the improvement of the current socio-economic challenges confronting South Africans. The importance of the role players in the South African context of nationalisation will be analysed in great detail later in this chapter. This section will also be analysing the potential benefits of nationalisation as well as its potential challenges.

South Africa is a country that possesses a good deal of high-quality mineral resources which contribute a lot to the economy of South Africa in terms of developing job opportunities and foreign exchange earnings (Du Plessis *et al.,* 2012:203). However, the mining sector in South Africa has achieved all of this under the tremendous pressure that has come with the ongoing disagreements between the representatives of the mining sector and unions over the working conditions of mines along with the remuneration of the mineworkers in recent times. Despite the contribution of the mining sector to South Africa's economy, the weight of expectation on the South African government seems to be increasing on the daily basis and nationalisation, along its expected benefits, continues to been as a solution for those who support an equal society (Du Plessis *et al.,* 2012:203).

Central to the success of the nationalisation process is the role played by the government as well as the relationship between itself and corporations. The analysis of South Africa's proposed nationalisation of mines and the current status of its SOE's has illustrated what may occur within the mining industry. SOE's commercial focus and developmental agenda perhaps provide South Africa with an idea of what nationalisation may entail to the country. Whilst it may be important to acknowledge the top performing SOE's, the majority are performing at inconsistent levels and not quite meeting their objectives. Several were analysed in Chapter Four. The selected SOE's provided some insight into the possible implications of nationalising the mines. Taking away from the management practices of the SOE's analysed in Chapter Four, the government would have to confront the political influences that have proven to be a stumbling block to the success and profitability of some SOE's. That nationalisation of mines would have to ensure the promotion of maximising the profitability of the mines as well as meeting the developmental targets of the government. Most importantly, a sound policy should be formulated, followed by a commitment to implement the nationalisation policy and ensure ethical practices.

5.4.1 The potential benefits of nationalisation of South African Mines

Before discussing the potential benefits of the nationalisation of mines in South Africa, it is important to provide a few contributing factors that will hold the key to the successful execution of this process. These contributing factors have played a key role in the successes and failures of nationalisation in other countries. In as much as there are a number common element's to consider, it is important to note that South

Africa has its unique set of challenges that may influence the practice of nationalisation in South Africa.

A starting point would be the relationship that the government currently has with the mining sector in South Africa. Building a relationship with trust at the core could form a solid foundation for long-term negotiations that could benefit the country as a whole. These negotiations could see the South African mining industry allowing the South African government to purchase shares and form some kind of a partnership, as the case with Debswana. Beyond building this trust, the government and the mining industry will have to ensure a commitment towards the development of South Africa's developmental goals.

The one potential benefit of the nationalisation of mines in South Africa is that the revenues from mining would contribute immensely to South Africa's annual fiscal budget. In so doing, the revenue generated from the nationalisation of mines would, therefore, contribute to the development of South Africa as the treasury would have more to spend towards the long-term developmental goals of South Africa. Therefore, the quality of basic education could be improved, there will be more funds to deliver quality public healthcare by working towards developing long-term high-quality health infrastructure and the government will also have more to contribute towards a sustainable welfare state.

When considering the potential advantage of nationalisation, it has to be acknowledged that measuring this one potential benefit thereof may prove difficult due to the fact that this is something that is yet to be tested in the South African context. This point perhaps raises many questions as to how the government will work around this process in terms of how it benefits the people of South Africa, whilst protecting the economy. Will the relationship between the South African government and the mining sector remain the same when they share control of South Africa's mines? Will the South African government possess the discipline that has been shown by the governments of Norway and Botswana? Could they possibly fall into the same trap as the Zambian government? The answers to these questions are ones that may only be answered by practice. For now, it may be argued that the call for nationalisation in South Africa remains a political rhetoric.

5.4.2 Potential consequences of the nationalisation of mines: South Africa

The call for the nationalisation of mines in South Africa has been viewed as a process that may impede South Africa’s growth. The calls for nationalisation have also been met with widespread criticism, where critics have argued that measuring the success of nationalisation in the South African context may be difficult, especially because this is something that is yet to be tested. There have been a number of potential consequences that have been forecast by various sectors of the South African society, most of which are highly related to the economic consequences of nationalisation in South Africa.

As it was mentioned in Chapter One, nationalisation can come in the form expropriating the resources without compensating the owners of the resource that is being nationalised or the government can nationalise and compensate the owners of the resources that they are gaining control over. However, the South African Constitution limits the government of South Africa in using force in order to gain control of a strategic state entity from the hands of private investors. It, therefore, means that the only way that the South African government can gain control of the mines is through compensating the owners of the mines, something that may prove to be extremely costly for the National Treasury.

Should the government adopt a resolution to nationalise the mines, the government would have to work towards gaining control of the mines by purchasing them at full market value, or through purchasing a certain percentage. However, should the government pursue the nationalisation of mines; it is one operation that may prove to be highly costly for the taxpayer. Those against nationalisation of mines are under the assumption that the Constitution will force the government to acquire the mines at the full market price (Nicol, 2013:122). This would come at an enormous cost to the South African government as a number of factors would come into consideration. The South African government could acquire all the profitable mines. However, the operating costs of keeping the mines afloat would require them to raise additional funds (Nicol, 2013:122). All of this will come at a huge expense for the South African government, an expense that may take years to recover (Nicol, 2013:122).

Demonstrated in the chapter, the literature seems to agree that the nationalisation of mines in South Africa is a process that is going to take years to implement successfully. Should nationalisation be adopted by the South African government, it would require extensive collaboration between the relevant stakeholders. The study also agrees that the successful implementation of mines will mainly be dependent on the level of political interference in the mining space. This aspect has proven to be a stumbling block for most SOE's mentioned in Chapter Four. There would have to be a clear separation of roles between the political and administrative functions within the mines. However, taking all into consideration, the nationalisation of mines in South Africa would come at a great cost for the state. The process would have to be gradual. It would also have to consider limiting the potential damage to the economy. The government would have to work tirelessly towards ensuring that they secure investments that will guarantee that the development of the mines and the industry continue in order to preserve the contribution they make towards South Africa's economy (Du Plessis *et al.,* 2012:202; Nicol, 2013:123).

One of the more important implications of nationalisation would probably be centred on the effects that they would have on the government's fiscal capacity, something that would be identified as an unintended consequence, as was the case with some of the countries that failed in their bid towards the nationalisation of mines. Du Plessis *et al.* (2012:202) have made a number of critical assessments that may have a negative bearing on the economy and the public purse should government pursue nationalisation. The financial management and administration of public funds in South Africa is a key element for both the government and investors (Du Plessis *et al.,* 2012:202). The government is tasked with the fundraising activities of the state in order to raise the necessary funds to achieve its policy goals. Some of these goals include steady monetary flows, macroeconomic growth and overall development which ultimately support's socio-economic growth (Du Plessis *et al.,* 2012:202).

Investors, on the other hand, are more focused on the short-term goals of generating the necessary profits to meet their immediate targets, something that may be in conflict with the long-term goals of the government (Du Plessis *et al.,* 2012:202). This is the one possible conflict that may provide an obstacle in terms of identifying an opportunity to facilitate growth and development that may be generated from revenues collected from the mining industry. Growth may be hindered should there be no form of understanding between the government and the private sector.

Should the government make a move towards acquiring a stake in the mining industry; the onus will fall on them to make a financial contribution to the industry in order to sustain the industry through the provision of exploration and the continuous development of these mineral resources (Du Plessis *et al.,* 2012:202). Should the government not do this, there is a possibility that the mining industry could be disrupted to a point where it might not be able to operate (Du Plessis *et al.,* 2012:202). It is for this reason that the mining industry believes that a profit-driven industry such as the mining sector in South Africa remains the only objective (Du Plessis *et al.,* 2012:203). These are the very profits that are used to invest in the policy objectives of the government (Du Plessis *et al.,* 2012:203). The debate on the nationalisation of mines in South Africa is one that may well be an on-going debate that is measured based on the circumstances surrounding the country and not based on scientific facts.

An analysis of nationalisation in specifically selected countries provided the best and worst case scenarios for what the process may present for South Africa and its mining sector. Whilst the success and failure of nationalisation in South Africa remains relatively unknown, the study of the selected SOE's in Chapter Four provided a synopsis of what the process may be like. Much of its success or failure is dependent on the calibre of its leadership as well as its level of independence, especially by political leaders.

If South Africa considers the implementation of nationalisation, then it is a process that would involve a number of stages. Such a process could take several years to execute successfully because of the number of complexities that would have to be taken into consideration by all parties involved. For example, the government would have to buy its stake in the mines. This could prove costly and could take the government a number of years to raise the funds required to complete the acquisition. Furthermore, the full nationalisation of mines may not offer the best solution towards the developmental prospects of South Africa. Alternatively, the government would probably have to consider a partnership with the private sector. One of the best approaches could be a 50/50 split, as with the government of Botswana and Debswana. Another could be a 90/10 split of which 90% remains with the corporates whilst the 10% goes the government.

5.5 Conclusion

The nationalisation debate in South Africa has provided both its advocates and critics an opportunity to investigate the opportunity-costs associated therewith. The nationalisation of mines, along with the land question, has been at the centre of most political discourse over recent years. To this end, they continue to form part of most political and economic debates. The contribution by the mining sector in the South African economy has been one of the central topics for both the advocates and critics of the nationalisation of mines. This contribution has provided a compelling argument for both sides. Those supporting the nationalisation of mines claim that the government could achieve its social development goals. However, those who dispute the idea claim that it may contribute towards lower profit margins and ultimately cripple the economy.

Whilst it is important to consider both arguments, it is incredibly difficult to measure the success and failure of nationalisation in South Africa given the fact that it has never been practised. So while it may be fair to speculate in some instances, the best way to measure the potential success and failure of nationalisation would be to investigate how it has been practised in other parts of the world and draw comparisons with South Africa. The examples of Norway, Botswana, Brazil and Chile provided the best examples of the various approaches to nationalisation and how it ought to benefit the nation. Whilst the cases of Zambia, Zimbabwe, Bolivia and Venezuela are the best example of what South Africa needs to avoid should they ever nationalise the mines.

The study of South Africa's SOE's is a crucial element of the study as these institutions provide an indication of how the nationalisation of mines may develop. The cases in Chapter Four may indicate that the nationalisation of mines in South Africa may not necessarily be the solution to the developmental challenges unless the government adopts stricter measures to regulate its management, as demonstrated by the cases of SOE's, whilst limiting political influence in these organisations.

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