A Heterodox Developmental Economics Understanding of Systemic Corruption: The Case of South Africa

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DOI: https://doi.org/10.35293/srsa.v48i1.7468

Abstract

This article applies a heterodox developmental economics framework to understanding corruption and state capture in post-apartheid South Africa. A central insight of heterodox development economics is that developmental states must manage economic rents by disciplining vested interests and directing capital toward productive investment. States unable to discipline large corporations create conditions for extractive, rent-seeking elites, while financial liberalisation and financialisaton intensify speculative and rent-seeking behaviour. The article argues that the failure of the post-apartheid government to build a developmental state capable of disciplining corporate power and influencing the allocation of capital contributed both to poor economic performance and to persistent corruption. Large corporations have retained significant control over the economy while investing relatively little in productive domestic development and continuing to extract wealth. At the same time, limited legitimate economic opportunities encouraged sections of an aspiring elite, consisting of politically connected individuals and private business interests, to pursue rents through corruption and state capture within the public sector and state-owned enterprises. The article contends that corruption and state capture in South Africa should not be understood primarily as the cause of economic decline, but rather as symptoms of a broader systemic corruption rooted in an extractive political-economic structure.

Keywords: corruption, development economics, financialisaton, heterodox economics, elite power

1. Introduction

Understanding corruption and state capture in South Africa requires consideration of the role of corporate elites, influential politicians and senior public sector officials. Unfortunately, most mainstream economic analysts of corruption and state capture focus on the public sector and miss the bigger picture. The elites of the most powerful corporations have incorporated politically influential Black people in their businesses and boards since the transition from apartheid to democracy. These corporate elites, who now include a small number of politically influential Black people, have huge influence over the government.

Unemployment and inequality have worsened post-apartheid, while large corporations have increased extractive activities (Mohamed 2024). Low levels of reinvestment by the largest corporations have led to deindustrialisation and poor levels of economic activity. At the same time, there are aspiring elites in business, including many white businesspeople, who have struggled to increase market share since the apartheid era, and politically influential people, who have not been absorbed into the corporate elites. Some of these aspirant elites have been willing to use corrupt means to grab a larger share of the South African economic pie. As a result, government departments and state-owned enterprises (SOEs) have become contentious sites of corruption and capture by large corporate elites and aspirant elites (Khan and Mohamed 2023).

The failure of the post-apartheid government to pursue the formation of a developmental state that could discipline giant corporations and influence the allocation of capital is at the heart of the problem. The post-apartheid government adopted a neoliberal variant of neoclassical economics (hereafter referred to as neoliberal neoclassical economics), and neoliberal ideology influenced many of its policies. The result has weakened economic development, service delivery, state-owned enterprises and key infrastructure. A mainstream economic and broadly neoliberal perspective has developed within South Africa that blames the poor performance of the South African economy on corruption and state capture. This article will illustrate that poor performance of the economy and corruption, including state capture, are consequences of the failure to implement a developmental state.

The methodology of this paper is the application of a heterodox developmental economics framework to analyse corruption and state capture in post-apartheid South Africa, arguing that both are symptoms of a broader extractive political-economic system shaped by neoliberal governance and the failure to build a developmental state. It uses a secondary analysis that draws on heterodox development economics literature, particularly literature examining the success of the Asian Tigers and less successful experiences in Latin America, and

ISSN 1013-1108

the role played by a developmental state in managing rents and rent-seeking behaviour. Heterodox economics literature rejects the classical dichotomy of neoclassical economics that separates the real and financial sectors of an economy. In doing so, it challenges mainstream economics perspectives on corruption, which draws on their ideologically inspired neoliberal view of the role of the state. An effort is made to examine how this type of heterodox developmental economics literature discussed corruption and relations between state and business. The methodology used updates the older heterodox development economics literature mentioned above with insights from heterodox literature on financialisaton, and more recently, Critical Macro Finance (CMF) to examine the systemic nature of rent-seeking and corruption within economies that have liberalised finance and become financialised.

In order to apply this development literature, especially its approach and conclusions regarding corruption, to South Africa, the methodology used for this paper extends my previous writing on understanding corporate structure and financialisaton of the South African economy. The overall heterodox economic approach of my work on South Africa has been examining its economic evolution within history, institutions and global economic changes that affect South African society and systems of accumulation over time. This work builds on literature that presents the system of accumulation in South Africa as a minerals-energy and finance complex (MEFC) (Fine 2026).

2. Corruption and state capture in heterodox development economics

The hegemonic neoliberal variant of neoclassical economics is based on a false dichotomy of market and state. A major limitation of this perspective, which seems to be generally applied to mainstream economics discussions of corruption and state capture, is that it spotlights the public sector and normally downplays the role of private individuals and businesses, particularly large corporations. A historical, institutional analysis shows the close relationship and often blurred lines between the private and public sectors.

Much of the mainstream discourse on corruption focusses on states. Within this discourse, politicians and bureaucrats break the rules to enrich themselves. Khan (2004, 3) says that 'the conventional analysis of "good governance" is explicitly based on a neoclassical analysis of the role of the state in economic development'. Khan explains that the neoliberal form of neoclassical economics assumes that the main functions of the state are to protect stable property rights, maintain low levels of corruption, and commit itself to democracy. The author points out that this neoliberal neoclassical economics is based on a prior assumption that 'the market is sufficient to ensure rapid development and, as long as the state maintains stable property rights and an environment of low transaction costs and low expropriation risk, the market will work efficiently' (Khan 2004, 3). This perspective informs governance reforms that prioritise market liberalisation and anti-corruption measures to reduce transaction costs. These reforms impose a neoliberal discipline on developing countries.

A wide range of heterodox development economists on corruption reject the mainstream views on good governance and its agenda. A heterodox economics perspective understands corruption as a symptom of deeper structural issues. It requires a political economy perspective that considers power and economic rents within a historical context and legacies of colonialism. Moreover, issues of dependency, power and global capitalism should provide a broader framing for discussions of corruption.

Returns earned by individuals or firms for products or services that are larger than would be received in competitive markets are classified as economic rents in mainstream economics (Khan 2000). Khan (2000, 5) asserts: 'But since the competitive market of theory does not usually exist, a more useful definition is an income which is higher than the minimum which an individual or firm would have accepted given alternative opportunities.' The author chooses to define rent seeking as 'activities which seek to create, maintain or change the rights and institutions on which particular rents are based' (Khan 2000, 6). The existence of rents is an incentive to pursue rent seeking.

For heterodox development economists, the key issue is not the existence of rents themselves, but whether states can discipline rent-seeking behaviour and direct rents toward productive developmental outcomes. A development economist writing on the Asian growth miracle explained the importance of the state in disciplining large corporations and influencing the allocation of capital. Alice Amsden (1989), in a study of South Korea, explained that by conventional definitions the actions of the Park Chung Hee regime could be described as corrupt. Amsden differs with this view and argues that the subsidies and tariff protection, which mainstream economists would describe as unfair access to rents, were provided with strong reciprocal and disciplinary performance standards. A key requirement was that the productive enterprises given access to those rents achieve export competitiveness and success within a predetermined period.

Development economists such as Amsden (1989, 2001, 2007), Chang (2002) and Wade (1990) challenged neoliberal critiques of state intervention by demonstrating that successful industrialisation historically depended on developmental states capable of disciplining capital and strategically managing rents. Chang (2002) argues that corruption is associated with poverty. Like Amsden (1989) and Wade

(1990), Chang asserts that the way corruption affects countries is highly context specific. Chang (2002) accuses the developed countries of 'kicking away the ladder' when they impose neoliberal policies that obstruct development in developing countries.

Amsden (2007) built on previous work to critique mainstream economics that promoted the Washington Consensus (WC). The author argues that post-1980s neoliberal policies, advocated and imposed by the United States (US), other developed countries, the International Monetary Fund (IMF) and World Bank, to deregulate trade and financial markets and privatise state-owned banks and enterprises, exacerbated corruption in developing countries. Amsden (2007) explained that the imposition of these ostensible reforms generally occurred without implementing adequate regulatory institutions. This inadequate regulatory environment created an institutional context where politically connected and influential private interests were able to capture states. They were able to acquire public enterprises. The result in many cases was access to rents without reciprocal conditions and the stripping of assets that hollowed out public enterprises. Unlike the developmental states of East Asia, Latin American countries' capitalists were involved in the extraction of profits and rents rather than productive investment. Palma (2003) explains how neoliberal financial deregulation, particularly of cross-border capital flows, created conditions for excessive rent-seeking and financial profligacy that increased systemic financial risks and macroeconomic instability.

An important area of concern for developmental states is to discipline finance regarding the allocation of finance and ensuring that the potentially sizable rents generated in financial markets are well managed. Financial liberalisation, particularly since the 1980s, has led to increased financial flows and increased use and creation of financial instruments that generate large rents, but also increase systemic risks in domestic economies and internationally. Financialisation, which includes concern about the rise of finance and rentiers and their growing influence, has been associated with growing systemic risk and financial crises (Epstein and Jayadev 2005; Epstein and Power 2003). Financial rentiers have used their political and economic power and influence to extract rents. These rentiers influence regulation, institutions, and market formation in ways that have allowed them to 'mould economic policies and structure in their interest' (Epstein and Jayadev 2005, 1). Epstein and Habbard (2013) posit that the narrow, most used definition of speculation refers to placing a bet on the short-term change in the price of a commodity or financial asset. The association of speculation with rent-seeking leads one to the broader definition, which Epstein and Habbard (2013) define as 'any socially unproductive financial activity' (330). Therefore, speculation could be taken to mean not only financial speculation, but any activity for which 'social utility to the real economy is close to zero' (Epstein and Habbard 2013, 331).

Heterodox economists also linked financial liberalisation and financialisaton to increased rent-seeking, speculative activity and the growing influence of financial elites over states and policymaking. Since the 2008 Global Financial Crisis (GFC), a new school within heterodox economics called CMF has emerged (see Dutta et al. 2020; Gabor 2020 for an introduction). CMF literature adds a new dimension to the discussion of corruption and state capture. This literature highlights institutionalised and legal corruption that occurs through the operation of the global financial architecture and the relationship between finance and states. Gabor (2020) describes a shift from the Washington Consensus to what the author labels the Wall Street Consensus (WSC). Gabor (2020) explains that the WSC still includes much of the WC advice. However, the WC has been updated in an era of financialisaton through a concerted push by the international financial institutions, governments and international financial institutions to reorganise state development interventions, including the Sustainable Development Goals (SDGs) and efforts to address global climate change, around partnerships with global finance.

Recent CMF literature argues that states increasingly use public guarantees and derisking mechanisms to attract private finance, effectively socialising risk while protecting private profitability (Gabor 2020; Gabor and Braun 2023).

3. Analysing corruption and state capture in post-apartheid South Africa through a heterodox development economics lens

Framing economic changes within a historical and institutional systems of accumulation framework reveals the failures of the state-market dichotomy of mainstream economics by showing the interaction, cooperation, tensions and conflict between different actors and interest groups within society. Fine and Rustomjee (1996) argue that the minerals-energy complex (MEC) was the system of accumulation established in South Africa. More recent work on the system of accumulation in South Africa shows that financialisaton has made the MEC the MEFC (Fine 2026). The MEC analysis shows how the mining-finance houses worked within and outside of state structures to develop and maintain important socio-economic institutions and infrastructure fundamental to South Africa's racial capitalist system, such as the cheap, Black, migrant labour system that underpinned minerals extraction, the formation of a national electricity grid and Escom (which was renamed Eskom during apartheid), and the opening of the Free State gold fields in the late 1940s and 1950s, which consisted of eleven new major mines with several new towns, infrastructure and finance mechanisms. The colonial and apartheid systems were deeply corrupt. Van Vuuren (2006) documents the deeply entrenched relationship between state power, racial domination and corruption during the apartheid period. The apartheid economy was fundamentally extractive and exclusionary, enabling a section of the population to accumulate wealth and opportunities through racist governance, dispossession and the exploitation of Black labour. Those closely connected to political and corporate power benefitted through rent-seeking, preferential access to state contracts and protected economic opportunities, particularly within large Afrikaans businesses.

The post-apartheid economy inherited these structural inequalities, concentrated corporate power and institutionalised forms of corruption. Much mainstream economic analysis, however, remains ahistorical and treats economic endowments and market structures as given. Even where neoclassical economics relaxes assumptions of perfect competition, it generally continues to model firms and individuals as operating independently of systems of racial exclusion, political influence and structural exploitation, reducing market power to questions of price and output rather than broader relations of power and accumulation. My co-author and I, in Khan and Mohamed (2023), argue that much of the discussion of the transition from apartheid to democracy presents corporate elites as passive observers and mere stakeholders in policy formation. We challenge views that presume that corporate power affects only quantity and prices and the state-market dichotomy. Khan and Mohamed (2023) show that corporate elites had been incorporated and participated in the apartheid government security structures and actively shaped economic policy during the apartheid governing regimes of PW Botha and FW De Klerk. We argue that the elites of large corporations remain involved in policymaking through South Africa's transition from apartheid. The post-apartheid government's adoption of neoliberal ideology and the neoliberal variant of neoclassical economic thinking to shape their policies reinforced this continuity of corporate-elite policy formation.

A key point of agreement between Khan and Mohamed (2023) and other literature on the transition (for example, Bond 2000; Padayachee and Van Niekerk 2019) is that a few highly influential politicians, most of whom were from the African National Congress, were given opportunities to become part of the big business elite that controlled the largest corporations through shareholding and directorships on boards. There has also been a revolving door between ministerial and senior bureaucratic positions in government, the Reserve Bank, and senior executive positions in private large corporations, particularly in powerful, large financial corporations.

In Khan and Mohamed (2023), this process is described as the incorporation of politically powerful individuals into the old elite. The old elite refers to the remnants of the largest conglomerates, including financial corporations, that Fine and Rustomjee (1996, 96) describe as the 'six axes of capital'. of South Africa. The six axes refer to the conglomerates that combined mining, financial and other sectoral interests that put them at the commanding heights of the economy. During the 1990s, there was unbundling and reconstituting of the largest conglomerates, including the Anglo American Corporation, which moved its primary listing from the Johannesburg Stock Exchange to the London Stock Exchange in 1997. Mondliwa and Roberts (2019) illustrate that the subsidiaries of these giant groups preserved market dominance, even though their conglomerate parents had unbundled. The influence of finance within this corporate elite has grown as the size of financial institutions, their contribution to value-added has grown and the economy has become increasingly financialised (Mohamed 2017).

This background provides a historical and institutional lens for understanding the post-apartheid South African economy. One implication from the heterodox development economics literature is that post-apartheid South Africa failed to establish a developmental state. As Amsden (1989) and Wade's (1990) work suggests, the government did not follow an industrialisation strategy. The government did not provide support to capitalists with reciprocal performance conditions. Instead, the government provided subsidies and incentives that generated rents for large, energy- and capital-intensive firms that produced raw materials or products with low levels of value-added—most notably through cheap electricity and tax incentives, including accelerated depreciation of capital goods. South Africa experienced what Amsden (1989) described for Latin America: the inability of the state to discipline the elites and the provision of incentives without conditions led to an entrenched predatory business elite that extracted capital. Palma (2022) describes South Africa as an honorary Latin American economy, because of the similarities with the rent-seeking, extractive elites in several of those countries.

The experience of state-owned enterprises, particularly Eskom, illustrates the consequences of failing to build a developmental state capable of disciplining both public and private interests. During apartheid, Eskom formed part of the MEC that supported the accumulation strategies of large mining and industrial corporations through the provision of cheap electricity (Fine and Rustomjee 1996). In the post-apartheid period, however, the state failed to transform Eskom into a developmental institution capable of supporting industrial diversification, energy transition and broad-based economic development. Instead, Eskom became increasingly vulnerable to political interference, procurement manipulation, corruption and state capture (Bhorat et al. 2017). At the same time, large energy-intensive corporations continued to benefit from favourable pricing arrangements and forms of state support that reflected the persistence of historically concentrated industrial power (Mondliwa and Roberts 2019). Therefore, the resulting crisis cannot be understood simply as the outcome of corruption during the Zuma years. Rather, it reflects the broader failure to restructure the relationship between the state, finance and dominant corporate interests within a developmental framework.

The first post-apartheid government was a government of national unity where the key economic ministerial posts, including land and agriculture, finance and trade and industry, were initially allocated to National Party members of Parliament and white businesspeople who had been part of the apartheid government (Khan and Mohamed 2023). By 1996, the new government had adopted a neoliberal economic programme, the Growth, Employment and Redistribution Programme (GEAR), to replace the Reconstruction and Development Programme (RDP). GEAR was an austerity-minded, neoliberal programme in line with WC principles. It marked a conscious choice to follow governance from a neoliberal ideological stance and neoclassical macroeconomics. GEAR implemented mainstream neoliberal neoclassical macroeconomic policies that are still in use today. It promised a monetary policy to control inflation and a fiscal policy that kept government expenditure in check with the aim of running primary budget surpluses (or very low deficits) to reduce government debt. GEAR advocated privatisation, trade and financial liberalisation, including relaxing exchange controls. It reflected a neoliberal macroeconomic framework centred on fiscal restraint, inflation targeting, trade liberalisation and investor confidence.

The neoclassical macroeconomic policy approach is also a problem, because the South African economy remains extremely concentrated across all key economic sectors (Buthelezi, Mtani and Mncube 2018). Structural reforms have supported the largest corporations that extract wealth but choose not to reinvest much in South Africa. Vilikazi and Bosiu (2023) analysed the Top 100 companies (by market capitalisation) listed on the Johannesburg Stock Exchange (JSE) and found that they reinvested only to maintain their current capital stock, not to expand it. These companies chose to invest capital in mergers and acquisitions and investments abroad.

A key problem with the supply-side reforms is that while they may support some large and small businesses, they are of most benefit to the very large corporations that dominate the economy. The government's approach to the reforms does not consider the heterodox development economics line of reasoning that economies are path dependent. Therefore, to address industrialisation of the economy that supports increased value-added, a greener growth path and create sufficient employment opportunities, there is a need for structural transformation of the economy.

Structural transformation requires a developmental state to manage rents and ensure the adequate implementation of industrial, environmental and other developmental policies. Much of the explanations by the government, business and media of the poor performance of the economy, particularly since the GFC, are that it was caused by corruption and state capture during the Zuma years. An important contribution to the discussion on corruption and state capture during the Zuma years is by Bhorat et al. (2017), which provides a well-detailed description of corruption and state capture in South Africa. One of the goals of the project is to understand the developments in South Africa within a global context.

Bhorat et al. (2017) situate South Africa's state capture within broader global trends involving authoritarian and neopatrimonial political formations. They do not blame all the poor performance of the economy during the Zuma years on corruption and state capture by organised groups of corrupt people, however, this type of analysis has reinforced explanations (of a more simplistic nature) that equate poor economic performance with corruption. Bhorat et al. (2017) label the post-apartheid Mbeki administration (1999–2008) as the 'constitutional transformers' who tried to 'reform' the economy and the Zuma era as having 'radical reformers' who focussed on developing a 'symbiotic relationship between the constitutional state and shadow state' (3).

Bhorat et al. (2017) explain the failure of the constitutional transformers' attempts to transform the economy by arguing that there was a complex negotiated agreement on the Constitution, which included some kind of deal with major conglomerates. These conglomerates would invest in the post-apartheid economy, particularly in manufacturing. The authors point out that a 'small group of people representing the conglomerates that owned the large bulk of assets could make this deal' (Bhorat et al. 2017, 11). In Khan and Mohamed (2023), we call this group of people the old elite and recognise that this old elite had groomed and incorporated a group of politically influential and powerful individuals aligned with the African National Congress into their ranks.

Bhorat et al. (2017, 11) argue that 'the combined impact of the shareholder value movement, financialisaton, trade liberalisation (from the General Agreement on Tariffs and Trades to the World Trade Organisation), BEE deals and import-dependency combined to break up these conglomerates and severely limit investment, particularly in the manufacturing sector'. The authors add to this list of reasons for low investment that the listing of some of the major South African corporations abroad, which these corporations justified by saying that it would allow them to better raise capital to invest in South Africa, actually led to disinvestment.

The large corporate interests and the old elite had been given the ability to develop policy during the late apartheid period, and they retained this power during the transitional executive authority and within the government of national unity formed after the first democratic elections. Khan and Mohamed (2023) argue that the ability of the corporate old elites to develop policy that suited their interests and their retention of huge influence through the transition and into the post-apartheid state amounts to a form of state capture. Within a heterodox developmental economic framework, it also points to a corrupt situation where the elites are provided with rents and subsidies, but not required to meet performance conditions.

The work of Singh (1998) raises the importance of linking corruption and state capture to financial liberalisation and rising power, and the influence of domestic and multinational finance. The South African economy has liberalised and financialised under the post-apartheid government. There is a close relationship between senior politicians and bureaucrats with financial institutions, with rent-seeking and speculative domestic and multinational financial corporations holding much influence over the South African government. Acceptance of neoliberal ideology and neoclassical economics has encouraged the government to view itself as dependent on finance for borrowing, investor confidence and credit ratings.

What Bhorat et al, (2017, 12) describe as the 'power elite', Khan and Mohamed (2023, 8) refer to as the 'aspiring elite'. However, private businesses that are merely large (as well as medium and small), not corporate giants, are included into this category. The aspirant elites include politically influential politicians and bureaucrats, and businesspeople who were not incorporated into the old elite, however, aspire to increase their wealth and ownership within the economy. Unfortunately for them, the very large and dominant corporations controlled by the old elite and their allies have not invested adequately and have been part of a neoliberal hegemonic project that includes senior politicians and bureaucrats who have stopped the state from becoming a developmental state. The largest corporations have been using predatory and collusive behaviour for decades, where they either crush or buy up emerging businesses to maintain market dominance (Lewis 1995; Mncube and Grimbeek 2016). Therefore, considering Chang's (2002) argument that corruption is associated with poverty and lack of economic development, one must consider the actions of the aspirant elites within the broader context of a heterodox development economics understanding of corruption. Clearly, members of the aspiring elite were corrupt, and their corruption must not be excused. The corrupt actions of members of the aspirant elites involved in state capture and corruption have contributed to poor performance of the economy, however, this corruption seems to be a consequence and in part, a response to a larger system of corruption and state capture associated with an extractive, rent-seeking elite and its influence over a neoliberal government.

The persistence of extreme inequality and unemployment in South Africa reinforces the broader systemic dimensions of corruption discussed in this article. Corruption does not occur in isolation from the country's structural economic crisis. It is embedded within conditions of concentrated wealth, limited economic opportunities and weak developmental transformation. In this context, corruption and rent-seeking become intertwined with struggles over access to resources, state institutions and economic power. The inability of the post-apartheid state to generate inclusive growth and meaningful structural transformation has contributed to declining public trust in democratic institutions and increased contestation over access to state resources. This dynamic helps explain why corruption and state capture became so deeply embedded within political and economic networks after apartheid. A heterodox developmental economics perspective, therefore, requires corruption to be understood not merely as moral or administrative failure, but as part of a broader crisis of accumulation, inequality and developmental governance.

The response of the Ramaphosa administration to the poor economic performance of the South African economy since 2018 has been to intensify neoliberal economic policies, while blaming poor economic performance of the economy on corruption and state capture. The intensification of neoliberal policies has occurred through the government's acceptance of the structural reforms proposed by the National Treasury (NT) and Operation Vulindlela, a joint initiative by the South African Presidency and the NT designed to accelerate structural reforms and economic growth. The idea that the government has been inefficient, wasteful and corrupt has been an important subtext of these reforms. These reforms implicitly promote reduction of the state in building infrastructure and provision of services and more private sector involvement in services and other activities that have traditionally been provided by the state. The government has promoted a view that it has very little fiscal space and its role in provision of economic infrastructure is not to build the infrastructure, but to use public finances to leverage private sector corporations to build infrastructure.

CMF argues that neoliberal hegemony has ingrained the idea that governments do not have fiscal space to invest and that the private sector is better at building infrastructure and delivering projects than the public sector. The austerity and new public management mindset of governments lead them to believe that they must attract private corporations to invest and build projects. Gabor and Braun (2023) describe a macrofinancial derisking regime where the state has loose discipline over private capital, however, uses its balance sheet, increased contingent liabilities and public funds to derisk projects to make them attractive to private institutional finance.

The South African Renewable Energy Independent Power Producer Procurement Programme (REI4P) is an important example of such a derisking agenda where private sector corporations are provided with very high levels of state support to build projects that could very likely have been (possibly should have been) performed by the public sector. The argument that the government does not have fiscal space coupled with high levels of corruption and high debt of Eskom were aspects of the justification for attracting private businesses to undertake the projects. The first REI4P bidding process was initiated in 2011. The Independent Power Producer (IPP) Office was set up as a joint project between the NT, the Development Bank of Southern Africa and the Department of Energy, with the NT clearly the most powerful and influential of the parties involved. The process shifted implementation of renewable energy projects away from Eskom and the National Electricity Regulator of South Africa. The operation of the office sent a clear signal to business and finance that the government was on board with financialising public infrastructure and services. Eberhard, Kolker and Leigland (2014, 9) report about the new IPP Office team:

> *Largely because the team was familiar with private sector infrastructure projects, as well as most of the bankers, lawyers, and consultants involved in such projects in South Africa, the unit did not start out with the level of mistrust of private business that sometimes characterizes other government agencies in South Africa. Dialogue with private sector counterparts on key REIPPPP design and implementation issues began almost immediately and continued throughout the process. The program was managed from the outset in a fashion that was tailored toward generating enthusiastic participation by private sector players.*

The winning bidders sign twenty-year inflation indexed power purchase agreements with Eskom. The NT provides a 100 per cent guarantee on the power purchase agreements in a separate agreement that is between the NT itself and independent power producers. Mmakgoshi Lekhethe, the NT's Deputy-Director General for Asset and Liability Management, stated in 2024 that 'the contingent liability on the state's books for these IPPs is no longer sustainable' (Erasmus 2024). The 2026 Budget Review document of the NT (published when the Minister of Finance does his Budget Speech) reports that contingent liabilities to independent power producers have risen to ZAR303.1 billion, with exposure at ZAR244.3 billion (National Treasury 2026).

This process of derisking where the state creates contingent liabilities rather than implementing direct, on-budget expenditure to complete projects, may not be adequately transparent and creates potential future risk for government's finances. The risk is that guarantees and other derisking measures will eventually have to be paid from the government's budget. The REI4P clearly fits into the framework described by Gabor and Braun (2023) as a derisking macro finance regime. They describe this regime as one that embeds a process for financialisaton of government investment and expenditure on infrastructure projects and efforts to respond to global climate change. Financial rentiers securitise and sell the debts of these derisked public-private partnerships (PPP) projects, which allows rentiers to increase the pace and number of derisked projects they finance across the globe. This financialisaton of public investment and spending changes the relationship of finance to project developers and institutional financiers. The state becomes an instrument for systemically transferring public wealth and ability to bear risk to private corporations and guaranteeing profits of global finance.

4. Conclusion

Recent debates on corruption and good governance have been shaped by major developments in global finance and financial liberalisation. The theoretical contribution of this article is to promote a heterodox political economy understanding of corruption in South Africa through applying insights into corruption and rent-seeking from heterodox development economic literature. It updates the older heterodox economics literature with insights from heterodox developmental and political economy analysis of financial liberalisation and financialisaton since the 1990s through to the post-2008 GFC period. It draws on the relatively recent contributions of CMF to examine how neoliberalism underpinned by financialisaton has extended into state provision of infrastructure and services.

The heterodox development economics framework developed to understand corruption in South Africa challenges neoliberal accounts of corruption that isolate dysfunction within the public sector while ignoring the role of financialisaton, corporate power, and extractive economic structures. Analysis of the causes of poor performance of the South African economy relies on the mainstream neoliberal view of corruption, focussed on the public sector. The organised corruption and state capture that intensified after the 2008 GFC damaged the South African economy, however, from a heterodox developmental economics perspective, these developments should be understood as symptoms of a broader extractive political-economic system, rather than the primary cause of economic decline. Rather than partner with the private sector project developers and financiers in a way that supports but also disciplines the private sector to achieve economic developmental goals, the government has fostered a derisking macro finance regime where it presents the state as inefficient, corrupt, generally inadequate and in need of market discipline.

ISSN 1013-1108

The application of the heterodox development economic framework developed for the purposes of this article, shows that the government's intensification of neoliberal economic policies over the past decade moves South Africa further down a path-dependent, systemically corrupt path that allows entrenched elites to continue extracting wealth. Rather than advance industrial development and economic transformation, this intensification of neoliberal economic policies has led to further financialisaton, including financialisaton of public sector investments and service provision in a derisking macro finance regime. The broader policy conclusion to draw from this analysis is that a heterodox development economics understanding of the South African economy and identification of its problems and crises are required to change the current dysfunctional neoliberal economic policy trajectory of the country.

Future research expanding a heterodox developmental economics approach to understanding and combatting corruption should examine the implications of the derisking macro finance regime that has been initiated in South Africa, including initiatives such as Operation Vulindlela, the Presidential Investment Drive and the Presidential Climate Commission. The type of detailed work on corruption and state capture in Bhorat et al. (2017) could be continued, however, within a more structured heterodox developmental economics framework. More generally, research on macroeconomic stability, industrial development and policy could all benefit from shifting away from neoclassical and neoliberal mainstream economic methodologies to richer, more realistic heterodox developmental economics methodologies.

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ISSN 1013-1108