



SOE Board Appointments Policy Position 2026



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Summary

State-Owned Enterprises (“**SOE**”s) play a critical role in South Africa’s economy, delivering essential services in energy, transport, logistics, and other critical functions. However, persistent governance failures, including but not limited to board appointments, have led to financial instability, operational inefficiencies, and a loss of public trust. Political interference, weak vetting processes, and a lack of technical expertise on SOE boards have exacerbated mismanagement, as seen in the collapse of Eskom, Transnet, and SAA. To restore confidence in SOEs, South Africa must adopt a **transparent, merit-based, and depoliticised** system for board appointments.

This paper outlines the Democratic Alliance’s (“**DA**”) position on **SOE** board appointments. This position includes the following:

1. **The relevant minister should not have unilateral power to appoint board members of any SOEs.** Board appointments should instead follow the process outlined below:
 - a. The **Parliamentary Portfolio Committee** responsible for an SOE will be responsible for **choosing a board Selection Panel**.
 - b. **The Selection Panel will comprise of individuals with relevant educational and experience backgrounds.** The relevant experience and educational background will include technical fields in which the SOE operates (e.g. electrical engineering for Eskom), as well as suitably qualified general management, legal, and finance experts.
 - c. The Selection Panel will then conduct interviews, screen candidates and make a **final shortlist following a prescribed** process.
 - d. The relevant **minister will then select a candidate from this shortlist**, justifying the choice. If the minister rejects all shortlisted candidates, he/she must provide adequate justification for the decision.
2. Board appointment procedures should be **open to all qualified and experienced South Africans**.
3. The criteria for board appointments and the Selection Panel **should be both well-defined and transparent at all points in the appointment process**.
4. **Professional and technical skills must be prioritised**, and not political connections, as relevant qualification criteria.

The DA has previously put forward a number of different policy reforms to fix SOEs, including the devolution and opening up the privatisation market of certain key industries, like port, rail, and energy. In this document, the focus will be only on the appointment process for board members.

The DA believes our position on SOE board appointment processes will result in more qualified and competent boards that ensure effective management of SOEs, enhanced accountability, and reduced political interference in board appointments. The DA believes that our improved appointment process will help restore our SOEs to high-functioning entities that can provide affordable and necessary services to all South Africans.

How Flawed Board Appointments Have Crippled SOEs

The growth of South Africa's economy and its ability to generate jobs are hampered by unemployment, which stands at 32.9 percent as of the first quarter of 2025.¹ To address our socio-economic challenges, South Africa needs to achieve rapid and sustained economic growth. Since 2010, our real GDP growthⁱ has been exceptionally low.² One of the key reasons for this has been the ongoing operational and financial crises that have characterised large SOEs.

South Africans, particularly the poor, depend on the functionality of our national SOEs. SOEs are supposed to provide affordable and high-quality public services: reliable energy and water, clean air, well-maintained roads, efficient rail and ports, and functional communications. The key sectors under the purview of SOEs – utilities, logistics, and transportation – are critical to South Africa's economy. As a result, our citizens' quality of life will not meaningfully improve until SOEs are managed efficiently, honestly, and competently.

The private sector in South Africa can offset much SOE failure, but this generally only assists those with sufficient means. SOE failure impacts vulnerable South Africans the most as they depend on these services to ensure a dignified life and participate effectively in society and the economy.

There have been extensive governance failures in our SOEs, leading to high levels of incompetence, and malfeasance.³ One persistent problem is poor board appointments. The boards need to be fit for purpose, as do senior management – who are chosen by the board.

Despite their importance and the fact that SOE service delivery often directly promotes constitutional rights, most of them do not have boards elected according to suitable criteria, such as technical expertise or relevant job experience. Boards are often selected through nepotism or political patronage. The SOEs subsequently often perform poorly and are riddled with maladministration, incompetence and corruption.⁴ SOE failure has followed a predictable pattern:

1. **They have been hollowed out by unscrupulous company directors.** Funds are spent irregularly or outright stolen. These directors are often cadre deployees and, in many instances, have ties to the African National Congress (ANC). Inappropriate personnel are therefore hired to perform crucial jobs from the top down.
2. **Tenders are awarded by politically connected board members.** Contracts are granted to companies for certain kick-backs to the political connection. Typically the quality produced is substandard, as it is not funded properly, and the SOE begins to fail.
3. **When SOEs fail through incompetent directorship, poor management, and corruption, they have been bailed out by the government.**

ⁱ This is our GDP growth factoring in inflation and population growth.

Between 2019 and 2024, nearly R300 billion of National Treasury, i.e. taxpayer, money was spent bailing out failing SOEs.⁶ The bailout funds deplete an already overburdened fiscus and drain funds from other important projects, like schooling, hospitals, and housing. This is, however, changing after the preliminary tabling of the 2025 National Budget.⁷ This has been [a long-standing position of the DA](#): no more SOE bailouts, a prerogative we have succeeded in implementing.

The bailouts are done with no attempt to fix what caused the SOE failure in the first place. Examples include Transnet and Eskom, which are still struggling under debt burdens of R136 billion and R25 billion respectively^{8,9} - while requesting further government guarantees. These bailouts have historically been granted without any intention from the board to fix the relevant SOE.

Three critical SOEs that show this pattern of failure are Eskom, Transnet, and Rand Water. Decades of inefficiency in Eskom's management, along with the shift of electricity users to solar during years of loadshedding, have resulted in high costs and massive revenue losses for Eskom.¹⁰ In 2024, Eskom applied to NERSA for a 36 percent increase in tariffs,ⁱⁱ which, had they been granted, would have rendered electricity unaffordable for average South Africans. This tariff request is particularly egregious given that Eskom has failed to deliver, with South Africans having to contend with loadshedding for over 15 years. In 2022, one of the worst years of loadshedding, the cost to the economy was approximately R560 billion and resulted in the loss of 650 000 jobs.¹¹

The outcome of these failures is unfortunately now to increase the price for the consumer - thereby hindering future economic growth potential.

Transnet, likewise, is an SOE whose failure to deliver has caused several problems. The failure of our rail networks under Transnet has led to an unprecedented number of trucks on our roads, which transport goods to our ports, all while the SOE operates at a loss of billions of rands.¹² This has severely increased the cost and need for road maintenance and has cemented our society's reliance on cars. Road transport is generally more expensive than rail, further burdening the fiscus. A strong correlation exists between more trucks on the road and road accidents.¹³ South African ports, managed by Transnet, are also inefficient and among the worst in the world.¹⁴

The inefficiency of SOEs has also contributed to Rand Water's poor performance in Gauteng, resulting in "water-shedding", where major areas in Johannesburg go without water for hours or even days. In 2024, Rand Water reported a loss of 2.5 billion litres per day in Gauteng municipalities, around 48 percent, due to leaks and poorly maintained infrastructure - a perfect storm of incompetence, maladministration, and corruption.

ii A 13 percent increase was ultimately granted.



Case Study


Dudu Myeni and South African Airways (“SAA”) Corruption

Former chairperson of the SAA board, Duduzile Myeni, was at the centre of a corruption scandal during the State Capture years under Jacob Zuma. The events that led to Myeni being declared a Delinquent Director typify undue political influence within SOEs.¹⁵

Myeni was first appointed to SAA’s board of directors in 2009. She was appointed chairperson of the board in 2012, following the simultaneous resignation of eight of its fourteen board members.¹⁶ In 2014, six non-executive directors wrote to then-minister for Public Enterprises, Malusi Gigaba, outlining their “major dissatisfaction” with Myeni’s leadership. A series of unlawful political interferences resulted in President Zuma’s cycling through a minister for Public Enterprises and two Ministers of Finance to protect and preserve Myeni’s position as SAA board chairperson.¹⁷

In 2017, the Organisation Undoing Tax Abuse (“OUTA”) and the South African Airways Pilots’ Association (“SAAPA”) brought an application in the Pretoria High Court for an order to declare Myeni a Delinquent Director in terms of section 162(5) of the South African Companies Act 71 of 2008.¹⁸ The application was based on Myeni’s conduct whilst chair of the SAA board. During those five years (2012/13 to 2016/17), SAA ran losses of R16.844 billion, although it had previously been profitable.¹⁹

Accused of bringing the embattled SAA to its knees, and based on her actions during her five-year tenure as chairperson of the SAA board, **Myeni was declared a Delinquent Director and banned from holding any directorship position for life by Judge Ronel Tolmay at the Pretoria High Court on 27 May 2020.**



SOE failure is sustained and speaks to a larger degradation of public services run by the previous ANC-led national government. Even if bailouts were stopped, SOEs are managed poorly because boards are selected poorly. The process of board appointments, at the purview of a single minister and with little oversight from Parliament, has contributed to SOE dysfunction. Two key issues must be addressed to improve the performance of SOEs via board appointments: (1) inadequate oversight of SOEs by Parliament and (2) a weak legal framework.

Challenges with SOE Board Appointments

There are several challenges with the existing process of SOE board appointments, the power afforded to the board, and the oversight (or lack thereof) of Parliament. They are as follows:

1. There is no oversight of the National Executive members in their relations with SOEs board members.

Both Section 63 of the PFMA and the Companies Act allow the minister unilateral power to appoint board members. The PFMA grants “ownership control” to the relevant minister, implicitly giving the minister the power to appoint board members.²¹ The Companies Act does not specify standards or criteria for suitable board members.²² The Act applies to *private companies* where shareholders elect board members at Annual General Meetings.

The state itself is the only shareholder in SOEs, which means that only the minister has a “vote” to appoint SOE board members.²³ This unilateral level of control by ministers weakens governance and the SOE in question. There is no coherent framework for appointing SOE board directors, and the current system lacks the opportunity or forum to see that appointments to SOE boards are based on merit and the needs of the organisation and the public.²⁴

2. There is no separation of powers.

Directors should not be involved in operational matters – however, the lack of oversight over SOEs results in directors’ interfering in day-to-day management. See PRASA and SAA as examples.^{25,26} Directors should elect SOE management and leave the operations to that management. They should behave as a private board would, and limit political interference with the running of the SOE. Additionally, ministers themselves should not interfere with these appointments, although it happens in practice.²⁷

3. Existing legislation does not provide adequately for a transparent, fair and open process of appointing SOE board members.

Any legislation purporting to solve the underlying deficiencies of national SOEs must do so. At the very least, there must be accountability and oversight for those who run these entities. In practice, board members are appointed by the relevant shareholder minister, ostensibly in consultation with cabinet – but sometimes without consultation.²⁸ This process does not represent the ‘robust and transparent’ process recommended by the King IV Report on Corporate Governance.²⁹

Procedures for the appointment of SOE board members often lack integrity and are not transparent, do not provide for adequate public engagement, and take place without any communication with the South African public about the role of SOEs and the importance of the appointment processes.

The public is also both an indirect shareholder and a direct or indirect stakeholder in SOEs. Despite this, there is an almost non-existent relationship between the public and the SOE executive. Since the relevant minister generally makes appointments in the absence of an obligation or mechanism to consult the public, there is no transparency in this process.

The DA's Solutions: Reliable Oversight and Legal Reform

The key to transforming the SOEs into efficient, effective, transparent, and reliable organisations is the competent appointments and effective oversight of SOE boards.

Directors of boards, if qualified, able and honest, provide a vital layer of accountability and oversight for the executives and managers of the SOEs as well as a link between SOEs and the State.

To improve SOE functioning, specifically through a transparent, rigorous board appointment process, the DA proposes several solutions. These are designed to ensure the appointment of capable, qualified board members, who do not have particular Party allegiances, and who are able to ensure their SOE's developmental mandate. This is necessary for SOEs to deliver quality services, contribute to South Africa's economic growth, and maintain operational stability.

The DA will improve SOE board appointment oversight by:

1. Amending the PFMA and Companies Act to make provisions for:
 - a. Making the relevant **Parliamentary Portfolio Committee** responsible for **choosing a board Selection Panel**.
 - b. **The Selection Panel will be comprised of individuals with relevant educational and experience backgrounds.** The relevant experience and educational background will include technical fields in which the SOE operates (e.g. electrical engineering for Eskom), as well as suitably qualified general management, legal, and finance experts.
 - c. The Selection Panel will then conduct interviews, screen candidates and make a **final shortlist following a prescribed process**.
 - d. The relevant **minister will then select a candidate from this shortlist**, justifying the choice. If the minister rejects all shortlisted candidates, he/she must provide adequate justification for the decision.

This selection model will improve oversight and limit corrupt and nepotistic appointments.

There should be annual reports by the board and the minister to the relevant Portfolio Committee. A clear set of monitoring guidelines must be established, detailing on a case-by-case basis what milestones must be achieved each year. The relevant Portfolio Committee will therefore provide for effective monitoring and evaluation of SOE performance.

The DA will ensure the selection process is transparent and fair by:

2. Requiring that board appointment posts **be open to all** suitably qualified South Africans.
3. Following OECD best practice, which establishes clear procedures **for how a candidate is nominated**, overseen by the aforementioned selection committee, which has been successful in depoliticising SOEs. The nomination procedure is as follows:
 - a. A position is advertised listing the skills and qualifications for the particular SOE. The criteria should be public.
 - b. Each HR Department within the SOEs keeps applicant details on file and uploads them to a central candidate repository. These are candidates who have been vetted such that, in addition to meeting the hiring criteria, they are clear of any suspicious political connection or conflict of interest. This repository can then be pulled from in the future to provide candidates for additional positions that become available (however, they are not preferred above outside applicants who have not been filed in the repository).
 - c. The interviews, selection, and decision-making are then taken forward as outlined in point 1 above.
4. Specifying well-defined qualification and performance criteria:
 - a. Hire based on merit, not political connections, and retain solely based on performance, not on political convenience or demographic targets. This will improve the quality of the pool of considered appointees and ensure the appointment process gives **equal and fair consideration** to candidates.
 - b. The board must possess diverse skill sets. There must be a harmonious blend of administrative, technical, and financial expertise.
5. The nomination and selection process, as well as the CVs and backgrounds of all considered candidates, **should be accessible to the public**.

The DA will reduce ministerial interference by:

6. Requiring the minister to select board members following a shortlist provided by a Selection Panel, chosen by Parliament. The minister would not have executive decision-making power. Likewise, the board members themselves will have strict guidelines outlining their role. They should be involved in selecting CEOs and CFOs only, and not in the day-to-day operational affairs. This will limit the undue influence of cadre deployment, which the DA opposes.
7. The boards' composition should be as depoliticised as possible. This includes:
 - a. Disqualifying sitting civil servants and elected public representatives such as Members of Parliament, Members of Provincial Legislatures, and Councillors from serving as directors of SOEs, owing to the conflicts of interest arising from their positions. Each national SOE board must be independent and governed by board members with no commercial interests in the operations of the SOE.
 - b. There must be a "cooling-off" period whereby civil servants must wait at least five years before applying for any board position.
 - c. Limiting the number of boards on which each person may serve.

There is a growing consensus among OECD countries that ministers, politicians, or civil servants should not serve on SOE boards. This is the case in the United Kingdom, Australia, and the Nordic countries (Norway, Sweden, Denmark, Finland). Boards there operate independently from political interference.

The DA will also apply these processes to municipal entities, such as electricity and water boards, by:

5. Ensuring applications for nomination or appointment are widely solicited. The *Director: Shareholding Management* must compile a list of all candidates who have applied and create a shortlist of candidates to be interviewed.
6. Having the established Nominations Committee of the municipal entity, in consultation with the *Director: Shareholding Management*, identify the requirements needed for the board. In particular, the requisite skills and experience (e.g. hydro engineers for water boards and electrical engineers for electricity boards).

Conclusion

Governance of South Africa's SOEs would be more effective if the right people were placed on the boards to run them effectively and expose any malfeasance. Boards should hold SOE CEOs, CFOs, and their colleagues accountable. This will occur only if the procedures for appointing the board are transparent, well-defined, and the final appointment decision does not rest in the hands of a single politically aligned person.

The DA proposes a series of measures to ensure that boards are transparently elected and have suitable oversight to avoid corruption and conflict of interest. Key mechanisms to achieve this include ensuring board members are hired on merit, possess the relevant experience and skills, that the appointment process is public, there are no undue political appointments, and reducing the minister's executive power to appoint a board individually.

It is essential to have effective SOEs to serve all South Africans and drive economic development. Well-managed SOEs are crucial in delivering vital services. Capable leadership and sound governance for SOEs will not only improve service delivery but also unlock long-term economic growth. By ensuring transparency, accountability, and efficiency within these institutions, we can rebuild public trust, strengthen infrastructure, and position South Africa on a path toward a more prosperous and inclusive future.

End Notes

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