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# *Deserving and Undeserving Welfare States: Cash Transfers and Hegemonic Struggles in South Africa*

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*The South African social grant programme appeared as if it might suddenly end on 1 April 2017. The potential termination of grants kicked off a significant public outcry by members of parliament, the judiciary, the treasury, the press and civil society organisations. At the time, popular explanations of this crisis contended that grants were about to stop because of corruption and state capture. Instead I argue that the 2017 grant crisis extended and amplified the hegemonic struggle within the African National Congress (ANC) between two contradictory neoliberal tendencies, which grew out of the post-apartheid transition and the global conjunctural moment of the end of the Cold War. Following Gillian Hart, I define these as a 'liberal', technocratic neoliberal capitalist tendency and a 'populist', affective neoliberal capitalist tendency. Adherents of each tendency wielded the discourse of deservedness – common in welfare discourse for centuries – both against people receiving welfare and against the political formations vying to deliver welfare. Each claimed to be more deserving of the task of delivering grants and therefore more deserving of holding state power. Ultimately, the 2017 grant crisis helped to lead to a shift in political power, shoring up South Africa's very unequal social formation without addressing the exploitation upon which it was based.*

**Keywords:** welfare; cash transfer; state capture; deserving and undeserving; dependency; post-colonial state formation; South Africa

'April 1st is April Fools' Day, but, for the South African public, it's a slowly creeping reality'.  
*Themba Godi, Standing Committee on Public Accounts, South African parliament, 28  
February 2017*<sup>1</sup>

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<sup>1</sup> I attended all parliamentary hearings cited in this article and quotations come from my field notes. In 2016–17, there were two main parliamentary fora in which social grants were debated. First, during regular Portfolio Committee on Social Development meetings at which the minister, the DSD and SASSA had to report on their progress towards building a new grant payment system. Second, during special meetings of the Standing Committee on Public Accounts, (SCOPA) at which the minister, DSD and SASSA had to account for their 2015–16 annual report that documented over R1 billion of irregular and wasteful expenditure. SCOPA expanded its investigation to include any future Cash Paymaster Services (CPS) contract because it risked being classified as irregular expenditure for the following financial year. These fora were also attended and recorded by the parliamentary monitoring group (PMG) and can be found in its online archive. Throughout the article, I will cite my own fieldnotes as well as the PMG archive. The quotation from T. Godi was recorded in fieldnotes, 'SASSA: Hearing on Cash Paymaster Services Contract', (SCOPA), South

A chorus of ‘April 1st’ featured prominently in South African political discourse for six months before it arrived in 2017. The date heralded the possible cessation of South Africa’s cash transfer payments (locally called ‘social grants’) to 18 million beneficiaries. If this April Fools’ Day prank had transpired, one-third of all individuals and half of all households would have lost a significant source of income. The potential termination of social grants was neither a result of a policy change nor a budget cut. Instead, the contract between the South African Social Security Agency (SASSA) and its service provider, Cash Paymaster Services (CPS), was set to expire on 31 March and could not legally be extended because it had been declared invalid five years earlier by the Constitutional Court.<sup>2</sup> SASSA failed to use the intervening period to appoint a new external service provider or build internal capacity to pay grants in accordance with the court’s order. CPS succeeded in using the intervening period to sell financial products to grant recipients, making additional profits beyond their R10 billion (£500 million) contract.<sup>3</sup> A public clamour ensued – amplified by judges, treasury officials, parliamentary committees, political parties, investigative journalists and civil society organisations – to ensure that grants continued. On 1 April, when grants were paid as usual, there was a sense of relief that these moral guardians averted a major social crisis.

Yet, despite the considerable coverage of this period, what transpired and what it tells us about South Africa’s political economic ‘conjuncture’ remains poorly understood.<sup>4</sup> The concept of conjuncture, as developed by Stuart Hall and his colleagues in *Policing the Crisis*, refers to the progressive accumulation of contradictions within a given social formation that suddenly coalesce to bring about a profound social rupture. I argue that the events surrounding 1 April were not merely about social grants but were a key part of the accretion of contradictions within the ruling class alliance and struggles for hegemony. Gillian Hart, in *Rethinking the South African Crisis*, described two deeply contradictory neoliberal tendencies within the African National Congress (ANC), which grew out of the post-apartheid transition and the end of the Cold War: a more liberal, technocratic neoliberal capitalist tendency and a more populist, affective neoliberal capitalist tendency.<sup>5</sup> While both work through articulations of race, nation, religion and gender to secure popular consent, the liberal tendency attempts to neutralise and contain popular antagonisms through appeals to a democratic universalism, while the populist tendency attempts to mobilise and cultivate popular antagonisms through appeals to a patriarchal African nationalism.<sup>6</sup> The liberal tendency is associated with former presidents Nelson Mandela and Thabo Mbeki, and current President Cyril Ramaphosa, and the populist tendency with former president Jacob Zuma. The 1 April social grant crisis connected to and amplified these contradictory forces, when minister of finance Pravin Gordhan was pitted against minister of development Bathabile Dlamini. Capitalising on Dlamini’s corruption, Gordhan positioned his liberal

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African parliament (Cape Town, 28 February 2017). Full recording available at <https://pmg.org.za/committee-meeting/24045/>, retrieved 8 October 2021.

2 *AllPay Consolidated Investment Holdings (Pty) Ltd and Others v Chief Executive Officer of the South African Social Security Agency and Others*, Constitutional Court 48/13, (per Froneman J).

3 E. Torkelson, ‘Collateral Damages: Cash Transfer and Debt Transfer in South Africa’, *World Development*, 126 (2020), pp. 1–11; N.T. Vally, ‘Insecurity in South African Social Security: An Examination of Social Grant Deductions, Cancellations, and Waiting’, *Journal of Southern African Studies*, 42, 5 (2016), pp. 965–82.

4 I am using ‘crisis of hegemony’ in Stuart Hall’s sense, ‘as a moment of profound rupture in the political and economic life of a society, an accumulation of contradictions’; see S. Hall, C. Critcher, T. Jefferson, J. Clarke and B. Roberts, *Policing the Crisis: Mugging, the State and Law and Order*, second edition (New York, Palgrave Macmillan, 2013), p. 214.

5 G. Hart, *Rethinking the South African Crisis: Nationalism, Populism, and Hegemony* (Athens, University of Georgia Press, 2014).

6 *Ibid.*

alliance as more capable of delivering welfare and more deserving of governing in the national interest. Yet, while the 1 April grant crisis contributed to the shifting hegemony between populist and liberal ruling class alliances, it did little for the millions of South Africans dependent on grants.

My understanding of the 1 April grant crisis differs from two dominant analyses at the time. The first explanation assumed that social grants were in danger of being stopped. Many commentators worried that, if grants ended, recipients would take to the streets, making society ungovernable. Grant recipients featured as agents of dissent, whose spontaneous violence could be contained only through the welfare programme. As Themba Godi, the chairperson of the standing committee on public accounts, put it: ‘with the economic exclusion of the majority, SASSA is the one that mitigates against a revolution of the poor. If you [SASSA] mess up in April, then you must know that everything will go up in flames, either now or in 2019 [at the next election]’.<sup>7</sup> According to this perspective, government agencies and officials had to ensure that welfare continued in order to contain incendiary forms of popular protest.

This first explanation was closely linked with a second one. The second explanation assumed that social grants were in danger of being stopped because of ‘state capture’. State capture refers to the political project of repurposing state institutions to build parallel governance structures on behalf of well-connected networks.<sup>8</sup> Analyses of state capture have commonly focused on former president Jacob Zuma’s relationship with the Gupta family, whose companies secured irregular contracts to provide services for state-owned enterprises (for example, Transnet, Eskom and Denel). Many also feared that minister Bathabile Dlamini and her allies had captured SASSA, manufacturing the 1 April crisis to favour private interests.<sup>9</sup> As *Daily Maverick* journalist Marianne Thamm wrote, minister Dlamini was holding a ‘gun to South Africa’s head’ to extend CPS’s contract.<sup>10</sup> According to this perspective, the liberal ANC alliance had to wrest power from the populist alliance to ensure that welfare continued.

In hindsight, both of these explanations are inadequate. The first fails because there was never a risk of grants ending. All parties agreed that the CPS contract would have to be extended despite its unlawfulness. No other company or government agency could step into the breach within the time frame. The second explanation serves us no better. It places the blame for the grant crises solely on the so-called ‘captured’ state, without considering what was happening among seemingly ‘un-captured’ parts of the state at the same time.<sup>11</sup> I argue that it is important to consider the actions of both the populist and liberal ANC tendencies, which attempted to use the 1 April crisis to secure their hegemony. While the liberal alliance achieved moral authority temporarily, they did not do so by introducing a more progressive policy attuned to the realities of mass impoverishment, unemployment and inequality. Instead, the liberal alliance used the moral panic around President Zuma’s capture to make themselves appear non-corrupt and more adept at the technocratic delivery of social welfare benefits. In so doing, the liberal alliance seemed to represent South Africans more adequately by not being bound in obvious elite relationships of state capture. In reality, this appeal to universal representation rendered invisible the brutal capitalist exploitation that has been (and continues to be) part of the production of a democratic, neoliberal state.

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7 From fieldnotes: Godi, ‘SASSA: Hearing on Cash Paymaster Services Contract’.

8 I. Chipkin and M. Swilling (eds), *Shadow State: The Politics of State Capture* (Johannesburg, Wits University Press, 2018), p. 31.

9 R. Foley and M. Swilling, *How One Word Can Change the Game: Case Study of State Capture and the South African Social Security Agency* (Stellenbosch, Stellenbosch University Press, 2018).

10 M. Thamm, ‘Gun to SA’s head, SASSA holds ConCourt, Treasury and Citizens Hostage’, *Daily Maverick*, Johannesburg, 2 February 2017.

11 Foley and Swilling, *How One Word Can Change the Game*.

This liberal tendency also benefits a few, but a different few, whose interests have been so long produced in co-ordination with the state that they appear natural. The grant crisis was one among several factors that helped Cyril Ramaphosa to become president.

This article has grown out of extensive research since 2015 into the everyday politics of grant distribution in South Africa. During that time, I worked with a small community-based organisation in Khayelitsha, Siyakhathala (2015–16), and a large human rights organisation in Cape Town, the Black Sash (2016–present). My research focused on how CPS encouraged recipients to purchase financial products – airtime, electricity, insurance and loans – sold by their sister companies and other service providers, often without informed consent. Many people failed to receive the full value of their social entitlements because such products were repaid through debts recouped from their grants. My fieldwork involved accompanying people to pay points and payday lenders, ATMs and grocery stores, collecting receipts and contracts, phoning call centres and filling out recourse forms to contest ill-gotten deductions. I also attended the parliamentary hearings of the portfolio committee on social development and the standing committee on public accounts to understand the multiple political processes at work in reforming the grant payment system. My research into the everyday politics of social grants provided the empirical foundations for my analysis of the 1 April crisis.

In this article, I explore how social grant payments became part of a broader hegemonic struggle over who deserves to govern South Africa. First, I argue that the alliances competing for hegemony shared a conservative neoliberal approach to the delivery of social welfare. Second, I offer a history of the contours of the April Fools’ Day grant crisis, showing how this comprised three separate crises riven with tensions and contradictions. Both alliances attempted to secure popular consent to their rule by stoking middle-class anxieties and claiming that they were more capable of delivering social grants. Finally, I show how this triple crisis led to the temporary restoration of a liberal neoliberal capitalist order (represented by Cyril Ramaphosa) over and against a populist neoliberal capitalist order (represented by Jacob Zuma). The social drama of the transfer of power between these two tendencies helped to mask the reality that neither proposed to extend grants or address inequality. In transferring power back and forth, the Zuma and Ramaphosa factions have been able to avoid addressing the structural conditions that continue to immiserate and exclude the black poor. Under such precarious conditions, hegemony can be secured only for a moment in time and is fragile and fraught with tensions. South Africa’s inequality will continue to fracture the social order engendering more crises and requiring more repression to sustain this intra-ANC power-swapping.

## **A Compromised Social Formation**

Decades past liberation, South Africa has achieved the ignominious distinction of being the most unequal country in the world. The top 1 per cent of South Africans own 67 per cent of the country’s wealth and the top 10 per cent own 93 per cent.<sup>12</sup> While half of the richest 1 per cent are black, the average black household owns only 4 per cent of the wealth of the average white household, and earns only 20 per cent of the income of the average white household.<sup>13</sup> Additionally, 90 per cent of children from the poorest families – of which 99 per cent are black – occupy the same place in the earning distribution as their parents.<sup>14</sup>

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12 World Bank Group, *Overcoming Poverty and Inequality in South Africa: An Assessment of Drivers, Constraints and Opportunities* (Washington DC, World Bank Press, 2018).

13 E. Webster and D. Francis, ‘The Paradox of Inequality in South Africa: A Challenge from the Workplace’, *Transformation: Critical Perspectives on Southern Africa*, 101, 1 (2019), pp. 11–35.

14 *Ibid.*

As the economy allows little mobility for poor black people, and structural disadvantage is inherited across generations, South African capitalism remains deeply structured by race decades after the transition to democracy and the election of a black government.

While the foundations of South Africa's economy were forged under the racist regimes of colonialism and apartheid, the constituent inequalities continue to be reproduced in the present. As Ben Fine and others have argued, South Africa's economy has, since the discovery of diamonds in 1867, been dominated by the mineral and energy sectors, along with a narrow range of industries (including agriculture, transportation and finance) that supported white-owned extraction.<sup>15</sup> Broad industrialisation and full employment were never goals of this rapacious extractive project and black economic participation was engineered to be temporary and precarious. Black people were allowed to live in white economic hubs only when their labour was required and were otherwise dispossessed of their land and confined to rural reserves.<sup>16</sup> As profitability slowed in the 1970s, powerful mineral and energy conglomerates briefly considered investing in a broader programme of industrial development.<sup>17</sup> When the 1973 oil shock and the end of fixed exchange rates led to resources price rises, white capital was concentrated further in the same narrow extractive industries, preventing broader economic inclusion.<sup>18</sup>

In the 1990s, the end of apartheid offered another opportunity to transform this racial economic order. However, the same conglomerates successfully participated in setting the terms of the transition. This was not just about President Mbeki's passage of a package of neoliberal reforms in line with global trends as advocated by the International Monetary Fund and World Bank. Instead, the white-owned mineral and energy complex negotiated with the ANC to maintain private property rights and to allow the free movement of capital out of the country.<sup>19</sup> Such concessions inhibited progressive economic interventions, such as industrial development, land redistribution and financial reparations. Instead, 'transformation' was confined to a narrow slice of the ANC-aligned black elite. The white-owned resource sector orchestrated shareholding arrangements for a small but powerful black elite.<sup>20</sup> Similarly, the trade union movement made some gains for middle-class workers through their alliances in a corporatist state.<sup>21</sup> Yet most black people were left out of the post-apartheid economy, suffering the austerity of a 22.9 per cent unemployment rate (37.6 per cent by the expanded definition) just after the transition, which has increased to 34.4 per cent (44.4 per cent by the expanded definition) in 2021.<sup>22</sup>

Successive ANC presidencies have thus enacted a radically *un*-transformed neoliberal economic agenda, coupled with a large, but not nearly large enough, social welfare programme. South Africa has one of the largest cash transfer programmes in the world by gross domestic product, and, in 2019–20, 11 per cent of the national budget was spent on grant payments.<sup>23</sup> The South African Social Security Agency (SASSA) implements this

15 S. Ashman, B. Fine and S. Newman, 'The Crisis in South Africa: Neoliberalism, Financialization and Uneven and Combined Development', *Socialist Register*, 47 (2011), pp. 174–95.

16 S. Plaatje, *Native Life in South Africa: Before and Since the European War and the Boer Rebellion* (Athens, Ohio University Press, 1991).

17 H. Marais, *South Africa Pushed to the Limit: The Political Economy of Change* (London, Bloomsbury, 2011).

18 *Ibid.*

19 Hart, *Rethinking the South African Crisis*.

20 Ashman, Fine and Newman, 'The Crisis in South Africa'.

21 R. Southall, *The New Black Middle Class in South Africa* (Woodbridge, Boydell and Brewer, 2016).

22 Statistics South Africa (hereafter StatsSA), *Employment and Unemployment in South Africa* (Pretoria, Government Press, 1998); StatsSA, *Quarterly Labour Force Survey QLFS Q2: 2021* (Pretoria, Government Press, 2021).

23 StatsSA, 'National Government Spending 2019/2020' (Government Printer, Pretoria, 2020), available at <http://www.statssa.gov.za/wp-content/uploads/2021/06/Pic1.jpg>, retrieved 20 October 2021.

programme under the direction of the Department of Social Development (DSD) and the minister of social development.<sup>24</sup> South Africa's social grants are unconditional, means-tested and targeted towards children under 18, adults over 60 and people with disabilities. Through such targeting, South Africa's social welfare programme is designed to exclude around 10 million poor people, namely the working-aged, able-bodied unemployed. Despite their structural exclusion from the economy, this cohort is deemed undeserving of social assistance. Their exclusion from welfare disadvantages not only them but their families as well. Grant recipients must stretch their individual benefits to provide for family members who do not qualify.<sup>25</sup>

The millions of South Africans who are excluded from stable, dignified employment are also excluded from social assistance. The current social assistance programme aspires not to provide all citizens with a living wage but to set conditions which makes it morally acceptable to deny certain citizens a living wage. Appealing to so-called universal values allied with work and family norms, a deserving welfare recipient is 'legitimately' unemployed (due to age or ability), while an undeserving welfare recipient is 'illegitimately' unemployed (also due to age or ability). The ideal of the male bread-winner supporting a nuclear family has been deemed essential to dignified, post-apartheid citizenship in political discourse and practice.<sup>26</sup> Anyone who cannot attain such an ideal is held individually responsible for their poverty, even as jobless growth and high unemployment make this notion of the bread-winner unattainable.<sup>27</sup>

South Africa's compromised welfare state has been reproduced as different political alliances within the ANC have commanded power. Under President Mbeki, for example, there were fierce contestations around the introduction of child support grants. During apartheid, family maintenance grants had provided a decent wage to white and coloured mothers,<sup>28</sup> albeit at racially differentiated rates. From democracy, however, when black women should have been included in this benefit and would have made up the largest portion of recipients, the programme was terminated instead of being extended. The 1997 Lund Commission on Child and Family Support was tasked with designing a new grant programme targeted at children within strict fiscal limitations. Given budget constraints, the Lund Commission recommended the introduction of a small grant payment for children under 7 in the hope that civil society would advocate its progressive expansion.<sup>29</sup> With the new child support grant (CSG), the government no longer compensated the labour of care-givers, as only the children were deemed deserving of assistance. Additionally, even though these grants were *only* for children, the Lund Commission had to fight against erroneous assumptions that care-givers would misspend this money on themselves. To combat regressive anti-dependency discourse, the Lund Commission argued that CSGs would provide for the basic needs of children and assist their care-givers to become economically independent over time.<sup>30</sup>

Around the same time, also under the Mbeki regime, a large campaign of civil society organisations and trade unions advocated the introduction of a basic income grant (BIG) for

24 Presidency of South Africa, *South African Social Security Agency Act* (Pretoria, Government Gazette, 2004).

25 S. Mosoetsa, *Eating from One Pot: The Dynamics of Survival in Poor South African Households* (New York, NYU Press, 2011).

26 F. Barchiesi, *Precarious Liberation: Workers, the State and Contested Social Citizenship in Post-Apartheid South Africa* (Albany, SUNY Press, 2011).

27 D. Everatt, 'The Undeserving Poor: Poverty and the Politics of Service Delivery in the Poorest Nodes of South Africa', *Politikon*, 35, 3 (2008), pp. 293–319; C. Meth, 'Ideology and Social Policy: "Handouts" and the Spectre of "Dependency"', *Transformation*, 56, 1 (2004), pp. 1–30.

28 During apartheid, racial classifications were institutionalised through the Population Registration Act (No. 30 of 1950), which specified the terms of descent for 'White', 'Native', and 'Coloured' people.

29 F. Lund, *Changing Social Policy: The Child Support Grant in South Africa* (Pretoria, HSRC Press, 2008).

30 *Ibid.*

unemployed people. The 2000 Taylor Commission on Comprehensive Social Security fought hard for the introduction of such a grant, turning the government's anti-dependency rhetoric on its head.<sup>31</sup> The Taylor Commission argued that a BIG would decrease the dependency of poor people on their employed or grant-recipient family members. A BIG would provide a 'springboard' for entrepreneurship among unemployed and economically excluded people.<sup>32</sup> This developmental rationale did not go far with Mbeki and his finance minister, Trevor Manuel, who cautioned that providing social assistance for this cohort would produce dependency on the state. Ultimately, Mbeki defied the progressive recommendations of the Taylor Commission, instituting job training programmes and temporary employment opportunities instead.

In December 2007, Jacob Zuma rose to power at Polokwane by stoking popular anger against Mbeki, characterising him as an unfeeling, neoliberal technocrat who sold out millions of poor black people. Zuma, a charismatic orator, claimed the mantle of the liberation struggle and promised to represent black people left out of the democratic dispensation. Zuma channelled a form of patriarchal African nationalism, using his rallies to sing struggle anthems and appeal to disaffected, unemployed youth.<sup>33</sup> Drumming up the righteous anger of his supporters, Zuma positioned himself as providing a pro-poor alternative to Mbeki's austere neoliberalism. Of course, this was always disingenuous: at the very same time, Zuma was travelling the world, meeting with foreign corporations to confirm his commitment to neoliberalism and quell the anxieties of jittery investors.

After Zuma's inauguration, there was some hope that he might depart from Mbeki-era anti-dependency policies and expand welfare. Yet his administration did nothing of the sort. While CSGs were expanded to all children under 18, this was a result of civil society pressure, not Zuma's pro-poor policies.<sup>34</sup> In fact, Zuma consistently denigrated a large welfare state, accusing young mothers of being fiscally irresponsible and misusing their children's money.<sup>35</sup> Moreover, BIGs never featured in the national conversation during Zuma's presidency because of his forceful anti-dependency stance. The 2013 *White Paper on Families* (once again) advanced job training opportunities as the 'solution' for working-aged, able-bodied unemployed people.<sup>36</sup> Young South Africans had to learn to be 'self-reliant' and seek social support from their relatives rather than the state.<sup>37</sup> Despite his claim to represent the disaffected, Zuma upheld a disciplinary, conservative patriarchal moral order, accusing young men and women of being lazy and deviant.<sup>38</sup>

Despite this history, James Ferguson has observed a new politics of distribution emerging in southern Africa, which could move beyond these normative assumptions of dependency and deservedness.<sup>39</sup> In *Give a Man a Fish*, he argued that capitalists and socialists alike have wrongly assumed that only workers and their dependents have the right to share in the social

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31 V. Taylor, *Transforming the Present, Protecting the Future: Report of the Committee of Inquiry into Comprehensive Social Security for South Africa* (Pretoria, Government Printers, 2002).

32 *Ibid.*

33 L. Gunner, 'Jacob Zuma, the Social Body and the Unruly Power of Song', *African Affairs*, 108, 430 (2009), pp. 27–48.

34 J. Seekings, '(Re)Formulating the Social Question in Post-Apartheid South Africa: Zola Skweyiya, Dignity, Development and the Welfare State', in L. Leisering (ed.), *One Hundred Years of Social Protection: The Changing Social Question in Brazil, India, China, and South Africa* (London, Palgrave Macmillan, 2021).

35 Sapa, 'Zuma: Send Teenage Moms to Robben Island', *Mail and Guardian*, Johannesburg, 11 March 2015, available at <http://mg.co.za/article/2015-03-11-zuma-send-teenage-mums-to-robben-island>, retrieved 8 October 2021.

36 Department of Social Development, *White Paper on Families* (Pretoria, Government Printer, 2013), p. 41.

37 *Ibid.*

38 M. Hunter, 'Beneath the "Zunami": Jacob Zuma and the Gendered Politics of Social Reproduction in South Africa', *Antipode*, 43, 4 (2011), pp. 1102–26.

39 J. Ferguson, *Give a Man a Fish: Reflections on the New Politics of Distribution* (Durham, Duke University Press, 2015).



product. Swimming against the stream, he countered that value is produced by society as a whole, and everyone living in society should be entitled to a share. He further demonstrated that social movements within South Africa have been demanding more progressive forms of redistribution for decades. Yet the 1 April grant crisis shows that the new politics of distribution continues to be threatened by a deep-seated anti-dependency orientation. Ironically, during this period, notions of deservedness were articulated not just in relation to the people receiving welfare, but to the political formations delivering welfare as well. In the next section, I will recount how the liberal and populist ANC alliances wielded this moralising rhetoric against one another, each claiming to be more deserving of delivering grants and therefore more deserving of holding state power. Ultimately, the populist faction appeared undeserving because of its perceived commitment to state capture, while the liberal faction successfully positioned itself as more deserving because of its perceived commitment to constitutional democracy.

## **An Accumulation of Contradictions**

I turn now to outline the three social welfare crises that came together during this 1 April moment. While the first crisis began over CPS's predatory financial behaviour, it was transformed into a crisis over who had the power to authorise a deviation from public finance procedures and transformed again into a crisis over who had the power to design an alternative payment solution. The accumulation of tensions and contradictions, linked to previous crises, helped to generate and amplify a more generalised crisis of hegemony within the ANC.

### *Crisis 1: Deductions and Indebtedness*

The first crisis was about the questionable financial practices of CPS and its parent company, Net1, who used its monopoly control of the social grant payment system to extract lucrative profits from grantees.<sup>40</sup> Net1 spawned subsidiary companies to compel black welfare recipients to use their grants as collateral for loans and insurance products in the name of financial inclusion. Social grants were converted into disadvantageous financial products aggressively marketed to grantees. Once grantees had been registered for such products, Net1 deducted repayments early and automatically while facilitating the flow of money from the National Treasury (NT) into grantee bank accounts. Many grantees failed to receive the total value of their state entitlements and were forced to seek additional credit from unscrupulous payday lenders to cover their household needs. Each additional loan solved a consumption crisis in the present but made it more difficult for grantees to provide for their families in the future. The Net1 payment system eroded the very gains that social grants were meant to make. During this period, about 25 per cent of grantees reported experiencing automated deductions for loans and other financial products that they did not know about or understand.<sup>41</sup>

By late 2016, concerns over grantee exploitation had been circulating among civil society groups for some time but had just become a national scandal. On 12 October, at St George's Cathedral in Cape Town, the Black Sash organised a silent demonstration to protest against CPS and Net1. Although small in numbers,<sup>42</sup> this political action helped to generate media

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40 Torkelson, 'Collateral Damage'.

41 Black Sash, 'Community Based Monitoring: October 2016–November 2016', *SASSA Paypoint Citizen Surveys*, available at <https://cbm.blacksash.org.za/survey-types/sassa-paypoint-citizen>, retrieved 8 October 2021.

42 Compared with #FeesMustFall protests at the same time.

interest in a forthcoming North Gauteng high court case about the legality of new amendments to the Social Assistance Act. Six months earlier, Minister Dlamini amended the Act in an attempt to curtail automated deductions from social grants.<sup>43</sup> Her regulations eliminated all deductions on child support and foster care grants and allowed only one funeral policy deduction on older persons and disability grants. In so doing, she sought to end the use of grants as collateral for credit and other financial products. Once these regulations were published, Net1 and several other financial firms brought four cases against the minister.<sup>44</sup>

The North Gauteng high court considered whether the minister of social development was allowed to restrict transactions from grantee bank accounts. Net1 argued that the minister could not restrict grantees from transacting from their bank accounts because her regulations infringed financial freedom. Net1 further argued that the minister did not have the authority to regulate deductions because she did not have jurisdiction over the financial sector. The minister, SASSA and the Black Sash countered that the regulations were necessary to protect grantees from exploitation by financial institutions. They further countered that if the minister's regulations were declared illegal as currently written, she should be given an opportunity to improve them.

Net1 presented itself as providing a vital service by offering financial products to grant recipients. Such products were meant to enable recipients to become agents of their own development using credit to respond to financial shocks. Net1 attempted to prove that financial inclusion was so important for recipients that it was tantamount to a constitutionally protected freedom. The Black Sash, however, questioned Net1's definition of freedom. They argued that grant recipients might be 'free' to transact, but only within a coercive and monopolistic system that provided undue benefit to Net1. The Black Sash explained that recipients were not free to bank with Net1's partner Grindrod but did so by default. The state contract with CPS enabled the opening of millions of bank accounts for recipients en masse. Likewise, the Black Sash demonstrated that recipients did not freely choose Net1's financial products but were often compelled to accept them without informed consent in non-competitive situations.

While the case was heard one week after the Black Sash protest, the High Court delayed its decision for over six months.<sup>45</sup> Eventually, Judge Van der Westhuizen wrote a rather terse judgment siding with Net1 and confirming the right of grant recipients to transact on their accounts. The judge denied the Black Sash's request to intervene and refused to consider their evidence. He accepted that Net1 was a disinterested party providing competitive financial products and services for the benefit of the poor. The court did not recognise that Net1 had a state-facilitated monopoly over the personal information and financial flows to grant recipients. Moreover, the court did not acknowledge that Net1 was raking in inordinate profits virtually risk-free through a government contract. Despite such an anti-poor judgment, it hardly caused a stir. By the time it was released, there was another

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43 Changes to the Social Assistance Act: 21(1): SASSA can pay a grant into a bank account of a beneficiary, or by a payment method determined by SASSA; 21(2): Social grants must be paid monthly by SASSA; 21(4): The method of payment shall not allow for deduction. Changes to Regulation 26A: Only one deduction is allowed: a funeral policy deduction that is no more than 10 per cent of the grant; Funeral policies cannot be deducted from children's grants or temporary disability grants.

44 *Net1 Applied Technologies South Africa and Others v Chief Executive Officer of the South African Social Security Agency and Others; Finbond Mutual Bank v Chief Executive Officer of the South African Social Security Agency and Others; Smart Life Insurance Company Limited v Chief Executive Officer of the South African Social Security Agency and Others*, High Court, Gauteng Division, Pretoria, 43557/16; 46024/16; 46278/16; 47447/16.

45 *Ibid.*

grant crisis under way, accompanied not by a tiny protest on St George's steps but considerable national outrage.<sup>46</sup>

### *Crisis 2: Contracts and Social Contracts*

The second crisis focused on CPS's invalid contract with SASSA. In 2011, AllPay (a subsidiary of Absa, a large commercial bank) bid against CPS for an opportunity to deliver social grants nationally.<sup>47</sup> After CPS was awarded the contract, AllPay took SASSA to court for changing its tender criteria about biometric verification from 'preferential' to 'mandatory' just days before the submission deadline.<sup>48</sup> In accordance with the initial criteria, both CPS and AllPay had the capacity to biometrically authenticate beneficiaries during the enrolment process. According to the new tender criteria, however, SASSA wanted beneficiaries to offer biometric 'proof of life' when they withdrew their grants each month. While CPS had made provision for this already, AllPay did not have time to develop a comprehensive biometric proposal for SASSA.

The Constitutional Court ruled that this last-minute change reduced the number of viable bids to one, rendering the process uncompetitive and precluding a comparison of costs.<sup>49</sup> On this basis, the court declared the CPS contract invalid but suspended the declaration of invalidity for five years. Additionally, the court ruled that CPS could not financially 'benefit' over and above the cost of delivering grants and could not suddenly walk away from its obligation to deliver grants. The Constitutional Court also mandated that SASSA remedy the invalid contract by appointing a new service provider or developing the in-house capacity to pay grants. In response, SASSA initiated a new tender process, which was unsuccessful. Two bidders withdrew at the last minute and those remaining did not have the capacity to pay grants. Instead of initiating another tender process, SASSA promised the court that they would develop the internal capacity to pay grants. Based on this proposal, the Constitutional Court ended its supervisory order over SASSA in 2015.

On 13 October 2016, at the same time as the deductions crisis was heating up, SASSA met with the parliamentary Portfolio Committee for Social Development<sup>50</sup> to discuss their *Annual Report 2015/2016*.<sup>51</sup> The report was of grave concern to the committee because it documented more than R1 billion of irregular, fruitless and wasteful expenditure.<sup>52</sup> But, more than that, this meeting provided an opportunity for the Portfolio Committee to inquire about SASSA's 'readiness' to take over grant payments. SASSA was forced to admit that it had done little to prepare itself to pay grants in six months' time. SASSA had surveyed the options available for grant payment and realised that developing an in-house system would be complicated. SASSA had not decided on design specifications nor procured the expertise

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46 The Minister of Social Development appealed and won: *Minister of Social Development of the Republic of South Africa and Others v Net1 Applied Technologies South Africa (Pty) Ltd and Others*, Supreme Court of Appeal, 825/2017.

47 AllPay and CPS both had provincial contracts to pay grants.

48 E. Torkelson, 'Deductions from Social Grants: How it All Works', *GroundUp*, Cape Town, 3 March 2017, available at <http://www.groundup.org.za/article/deductions-social-grants-how-it-works/>, retrieved 4 November 2021.

49 *AllPay Consolidated Investment Holdings (Pty) Ltd and Others v Chief Executive Officer of the South African Social Security Agency and Others*, Constitutional Court 48/13, (per Froneman J).

50 From fieldnotes: 'SASSA: on its 2015/2016 Annual Report', Portfolio Committee on Social Development, South African Parliament (Cape Town, 13 October 2016). Full recording available at PMG, 'SASSA: On its 2015/2016 Annual Report', 13 October 2016, available at <https://pmg.org.za/committee-meeting/23409/>, retrieved 8 October 2021.

51 SASSA, *Annual Report 2015/2016* (Pretoria, Government Printers, 2016), available at [https://static.pmg.org.za/161013SASSA\\_AR.pdf](https://static.pmg.org.za/161013SASSA_AR.pdf), retrieved 8 October 2021.

52 Including a CPS contract (R316 million/£15.8 million), security contracts (R414 million/£20.7 million), office contracts (R233 million/£11.65 million) and forensic investigations (R75 million/£3.75 million).

necessary to build a distribution system. When members of parliament pressed minister Dlamini on this issue, the committee chairperson, Rosemary Capa, ended the meeting abruptly, claiming that it could not continue into the afternoon because there was ‘no lunch’ provided. Capa concluded with a dismissive statement intended to close the matter without questions: ‘[w]e’ve been told this is being done’. Capa implied that the minister’s word was enough and no further information should be necessary.<sup>53</sup>

After the holiday break, when parliament opened in 2017, what had been a small story the previous year dominated every newspaper. During the first Portfolio Committee meeting, members of parliament again inquired about SASSA’s readiness to take over grant payment. Almost a year earlier, project manager Zodwa Mvulane led several exploratory studies to understand what was needed for SASSA to pay social grants. These studies showed that SASSA would not be able to build an in-house payment system by 1 April. Mvulane knew that CPS’s contract had been declared invalid and could not legally be extended, but she also knew that CPS was the only company that could pay grants beyond April 2017. In April 2016, she asked the office of the state attorney for a legal opinion on how to proceed.<sup>54</sup> Advocate Nazeer Cassim advised SASSA to approach the Constitutional Court for instructions.<sup>55</sup> SASSA then sought two additional legal opinions, from advocates Wim Trengove and Muzi Sikhakhane, which confirmed Cassim’s advice.<sup>56</sup> Yet, for almost a year, minister Dlamini refused to approach the court. On 7 February 2017, SASSA chief executive officer (CEO) Thokozani Magwaza wrote to the NT requesting approval for a deviation from the Public Finance Management Act to extend CPS’s contract.<sup>57</sup> On 8 February 2017, minister of finance Pravin Gordhan, responded that the NT could not give permission without the court’s approval.<sup>58</sup> On 16 February 2017, SASSA informed the Portfolio Committee of Social Development about Gordhan’s letter and expressed its intention to go to the court.

Despite this, minister Dlamini did not go to the Constitutional Court. Instead, she flew to Kwa-Zulu Natal to meet President Zuma’s personal lawyer, Michael Hulley.<sup>59</sup> Contradicting three previous legal opinions, Hulley advised Dlamini that she did not have to consult the court because it ended its supervisory order over SASSA in 2015. Hulley advised Dlamini that, since SASSA had to fulfil its mandate to pay grants, she could initiate a new contract with CPS without judicial approval.<sup>60</sup> This gave CPS a huge advantage in negotiations, and CEO Serge Belamant publicly declared his intention to raise prices from R16 to R22–25 per grantee. Minister Dlamini appeared to be deliberately flouting South Africa’s Constitutional Court, NT and her own staff to negotiate with a seemingly unscrupulous businessman.

On 22 February 2017, minister Dlamini informed the Portfolio Committee that SASSA would not approach the Constitutional Court. This was a surprise to SASSA’s leadership and members of parliament, who were visibly angry. As Liezl van der Merwe from the

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53 Portfolio Committee on Social Development, ‘SASSA: On its 2015/2016 Annual Report’.

54 The details of this are recounted in two affidavits filed with the Constitutional Court by Magwaza and Dangor in *Black Sash Trust v Minister of Social Development and Others*, Constitutional Court 48/17. Magwaza’s affidavit is available at <https://www.groundup.org.za/media/uploads/documents/MagwazaAffidavit20170407.pdf>; Dangor’s affidavit is available at <https://www.groundup.org.za/media/uploads/documents/DangorAffidavit20170407.pdf>, both retrieved 8 October 2021.

55 *Ibid.*

56 *Ibid.*

57 From fieldnotes: ‘Minister and SASSA on Readiness to Implement the ConCourt Ruling’, Portfolio Committee on Social Development, South African Parliament (Cape Town, 22 February 2017). Full recording available at <https://pmg.org.za/committee-meeting/24008/>, retrieved 8 October 2021.

58 *Ibid.*

59 C. McKune, ‘Bathabile Dlamini’s Game of Chicken’, *Mail and Guardian*, 25 February 2017.

60 Hulley was involved in the procurement process that favoured CPS. C. McKune, ‘Michael Hulley and the R10bn Tender Fiasco’, *Mail and Guardian*, 31 August 2012, available at <https://mg.co.za/article/2012-08-31-00-michael-hulley-and-the-r10bn-tender-fiasco/>, retrieved 8 October 2021.

Inkatha Freedom Party put it: ‘[i]n 2014, the Constitutional Court told DSD to prepare itself for 1 April 2017. Until now, it is not clear what happened in the last three years ... Now the country is being forced into a crisis’.<sup>61</sup> Chairperson Capa disciplined van der Merwe and instructed members of parliament to confine their questions to ‘what has been presented’. Capa stopped representatives from asking difficult questions by adjourning the meeting prematurely.

Minister Dlamini’s parliamentary manoeuvres prompted a revolt within SASSA. On 28 February 2017, SASSA CEO Thokozani Magwaza broke ranks with the minister and made a submission to the court, asking permission to extend CPS’s contract.<sup>62</sup> On the very same day, minister Dlamini rescinded the documents that Magwaza filed.<sup>63</sup> Later that day, the Black Sash filed its own case with the court, asking for clarity around an interim contract with CPS.<sup>64</sup> This led to an emergency sitting of the court on 15 March 2017, and the approval of a one-year extension to CPS’s contract, which was later extended by six months.

Throughout this dramatic series of events, the main disagreement was not about whether the CPS contract should be extended but who had the authority to approve the extension. By the time of the hearing, everyone agreed that grants had to be paid and the only option available was for CPS to pay them. Even civil society organisations, like the Black Sash, who had been fighting against CPS’s predatory financial practices agreed that they had to continue paying grants. Yet determining who had the authority to rubber-stamp this contract deviation was a heated battle. On one side, minister Dlamini, Jacob Zuma’s lawyer and some of the SASSA leadership felt that the Constitutional Court should not be required to extend CPS’s contract. On the other side, minister Gordhan, the NT and another part of the SASSA leadership felt that the involvement of the court was essential. Ultimately, the Black Sash intervened to force the matter to be adjudicated. The court ruled that the state had a responsibility to deliver welfare to its citizens and approved a deviation from standard procurement procedures.<sup>65</sup> Minister Dlamini’s attempt to contract CPS without judicial oversight led to credible allegations of negligence and corruption. This stink of state capture initiated another social grant crisis.

### *Crisis 3: The Patronage Politics of Liberal Democracy*

This third crisis concerned what new system would replace CPS and who should design and benefit from it. After ruling on the CPS contract in March 2017, the Constitutional Court initiated an investigation into Dlamini’s conduct as minister. During this investigation, the former director general of Social Development, Zane Dangor, and the former CEO of SASSA, Thokozani Magwaza, alleged that Dlamini actively undermined the development of an in-house payment system.<sup>66</sup> They accused her of creating a parallel governance structure within SASSA comprising a financially well-remunerated and politically well-connected ‘advisory team’ to lead ‘work streams’ that reported directly to her. Magwaza and Dangor alleged that Dlamini’s advisory team members were appointed non-competitively and were positioned both to advocate the design of a new payment system and to benefit from contracts to implement it. Magwaza and Dangor contended that the leadership of SASSA was excluded from these processes, and the minister made it impossible for them to develop a payment system in accordance with the 2012 court order. Their testimony suggests that

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61 Portfolio Committee on Social Development, ‘Minister and SASSA on Readiness to Implement the ConCourt Ruling’.

62 *Ibid.*

63 *Ibid.*

64 *Black Sash Trust v Minister of Social Development and Others*, Constitutional Court 48/17.

65 *Ibid.*

66 Dangor’s and Magwaza’s affidavits, see footnote 54.

Dlamini was attempting to avoid standard government procedures and deliver contracts to favoured service providers once more. Based on their testimony, the court ruled that minister Dlamini was ‘reckless and grossly negligent’ and ordered her to pay 20 per cent of the legal costs of the Black Sash and Freedom Under Law in her personal capacity.<sup>67</sup>

At issue here was not just the minister’s negligence but who had the authority to design a long-term grant payment system. In January 2017, a technical committee composed of managers from DSD, SASSA, NT and the South African Reserve Bank (SARB) generated six possible solutions for the payment of grants.<sup>68</sup> It was around these six options that the conflict between ministers Dlamini and Gordhan became clear. On the one hand, Dlamini and her advisory team favoured what was called a ‘closed loop’ option. CPS would pay social grants for now, and SASSA would develop in-house capacity with some outsourced components to pay grants in the future. Both the CPS system and the subsequent SASSA system would comprise dedicated infrastructure built exclusively for grantees. Recipients would be able to withdraw their money at a network of designated paypoints, similar to the current operation of CPS. Dlamini argued that a closed loop payment system would enable SASSA to protect grantees from South Africa’s exploitative financial environment. However, a closed loop payment system would also operate outside the National Payment System (NPS) and the oversight of SARB, which govern all financial transactions. On the other hand, the NT and SARB preferred an ‘open loop’ option that would use commercial banking infrastructure integrated with the NPS and regulated by SARB.<sup>69</sup> An open loop model would enable the NT to disperse money to beneficiaries through South Africa’s commercial banks as well as the post office.<sup>70</sup> This payment system would work for grantees living in urban and some rural areas, but might be more difficult for those living in remote areas far from bank or post office branches. Ultimately, this debate boiled down to whether the Dlamini faction would create another segregated and proprietary banking system for grantees or the Gordhan faction would ensure that grants were delivered by the post office and commercial banks. While the post office was the only state-owned bank with a substantial national footprint, its insolvency and instability made it a stop-gap measure, not a sustainable long-term solution.

This debate dated back to the AllPay decision in 2012, when CPS’s contract was first declared illegal. From that time, there was a disagreement over who deserved to benefit from grant payment. South Africa’s traditional banks (represented by Absa and its subsidiary AllPay) were allied with minister Gordhan and the NT, while CPS and other potential service providers were allied with minister Dlamini and Social Development. This conflict played out in a 12-page letter that Dlamini wrote to President Zuma complaining about the NT at the end of 2016 and Gordhan’s public rebuttal of that letter at the end of 2018.<sup>71</sup> In the letter, Dlamini defended CPS’s closed loop system and accused the NT of putting the interests of the commercial banking sector ahead of the interests of grantees. Dlamini suggested that Gordhan ‘was working with banks’ to ensure that they received the benefits associated with this contract. For Dlamini, the banks had never favoured SASSA’s constituency and had been part of the production of South African inequality from colonialism forward. She argued that these banks could never be part of ‘radical economic

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67 *Black Sash Trust v Minister of Social Development and Others*, Constitutional Court 48/17.

68 From fieldnotes: ‘Social grant payment system: SARB on their role, position and readiness’, Portfolio Committee on Social Development, South African Parliament, Cape Town, 1 March 2017, available at <https://pmg.org.za/committee-meeting/24075/>, retrieved 8 October 2021.

69 *Ibid.*

70 The banks referred to were Absa, Standard Bank, Nedbank, First National Bank and Capitec.

71 N. Miya, ‘Pravin Gordhan, Bathabile Dlamini and the 12-Page Letter to Jacob Zuma’, *TimesLive*, Johannesburg, 21 November 2018, available at <https://www.timeslive.co.za/politics/2018-11-21-pravin-gordhan-bathabile-dlamini-and-the-12-page-letter-to-jacob-zuma/>, retrieved 28 January 2021.

transformation' nor design a system suitable for grantees. Banks did not deserve such a contract and would continue to disadvantage the poor if given this privileged position. On moral grounds, Dlamini concluded that she and her allies were working in the best interests of grantees and deserved to pay grants.<sup>72</sup>

Gordhan replied on the same moral grounds of deservedness. He countered that Dlamini's desire to build a new segregated, proprietary banking system would benefit a few private service providers. In his view, the commercial banks were long-standing institutions overseen by the national government, which could provide a more open, transparent and universal solution for grant recipients. He asked: 'how do you change the structure of the economy so that we make greater use of the resources we have now, and the anticipated opportunities that we have, but at the same time make sure that the benefits of those changes accrue to all citizens not to a select few?'<sup>73</sup> Gordhan, previously a member of the South African Communist Party (SACP) was heavily influenced by his time (1999–2009) at the South African Revenue Service, and deemed commercial financial institutions vital to the stability of the economy and the stability of the state. Gordhan characterised South Africa's NPS as a sophisticated transaction platform capable of governing all payments and settlements in the country for the benefit of everyone. Gordhan advocated funnelling state money through the country's financial institutions because they were subject to rules and regulations set out by the NT and SARB. He argued that the commercial banking sector was well positioned to use this existing infrastructure to make grant payments to recipients. In this way, Gordhan tried to renovate the legacy of South African financial institutions, claiming that they were best positioned to act in the interest of grant recipients.

Both Gordhan and Dlamini attempted to claim that they were responding to demands for so-called 'radical economic transformation', a phrase popularised by Julius Malema and his Economic Freedom Fighters (EFF). In 2009, Jacob Zuma worked to convince the ANC and its voters that he could bring about such transformation, instead of Mbeki's more globally oriented, technocratic neoliberalism. Through the grant crisis, Gordhan attempted to undermine the populist tendency's association with 'radical economic transformation'. He asserted that, for Dlamini (and Zuma), this sort of radicalism has not been radical at all, enriching the few through corruption and patronage. He then countered that his own, Mbeki-style technocratic liberalism was actually far more inclusive, universal and radically transformative.

## **A State of Inequality**

What do these competing and contradictory events tell us about the political economic 'conjuncture' in which they occurred? According to Stuart Hall's understanding of crisis, accumulated contradictions can foment a generalised crisis and force a fracture within the social formation. This fracture leads to a broader, generalised crisis and resolution. But such a resolution might not resolve anything at all. It can renew the current political economic project or enable contradictions to continue without substantive change. Often unsatisfactory, a resolution can quell tensions temporarily, while containing the conditions for future crises.

I began this article by arguing that the April Fools' Day crisis was not merely about the potential termination of social grant payments nor about state capture. Instead, it was part of a struggle for hegemony between liberal and populist alliances within the ANC. Ultimately, such contradictions were resolved through the restoration of a liberal capitalist order over

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<sup>72</sup> *Ibid.*

<sup>73</sup> *Ibid.*

and against a populist capitalist order. But this was a deeply unsatisfactory resolution. Both the liberal and populist ANC alliances represented themselves as more attuned to the deep disaffection of poor black people and more capable of providing a foundation for economic inclusion. Yet neither offered any concrete challenge to South Africa's deeply exclusionary, neoliberal economy and social welfare programme. Both attempted to secure popular consent to their rule not by introducing more progressive policy but by making moral claims that their alliance was more capable of delivering social grants and thereby more deserving of governing the nation. The political drama of transferring power back and forth between alliances within the ANC led to a deeply reformist resolution, allowing both the liberal and populist factions to sidestep the structural conditions that perpetuate inequality. By way of conclusion, I will show how each of these crises came to be resolved, for the moment, in the favour of the liberal ANC alliance.

First, the April 2017 grant crisis began because CPS's sister companies were marketing financial products to recipients and using debit orders to diminish the value of social grants payments. To solve this crisis and ensure that recipients were paid, SASSA extended CPS's contract for 18 months and then inaugurated a new grant payment system through the South African post office (SAPO) and the commercial banks. Enabling SAPO to deliver grants appeared to be a progressive move toward the nationalisation of distribution. However, it could only be a temporary solution because SAPO was insolvent and on the verge of collapse. Former CEO Mark Barnes saw welfare as a boon for SAPO and planned to use social grant distribution to cross-subsidise its other functions. Barnes advocated selling financial products to grantees, just as CPS did. But the Black Sash fought against this, and Barnes resigned from his position. Currently, more than 70 per cent of recipients receive their grants from SAPO in accounts that do not allow for automatic deductions, and the other 30 per cent receive their grants from commercial banks or CPS-affiliate Easy Pay. Given its precarious position, SAPO may soon be restructured and privatised and may not be able to distribute grants in the long term. This has given the commercial banks a clear pathway to increase their involvement in grant payment once again, as advocated by minister Gordhan.

Additionally, while the SAPO system has allowed grantees to opt out of future deductions, it did nothing to remedy past ones. The Black Sash fought for a recourse mechanism to document and reverse financial deductions. However, while SASSA received about 70,000 complaints in the first three months, it could not access CPS's proprietary information to investigate these claims.<sup>74</sup> SASSA forwarded these cases to CPS, who settled over 60,000 without reimbursement, and fewer than 10,000 people got any money back.<sup>75</sup> This recourse system was highly individualised, and the burden to fight for payback was placed on grant recipients themselves. At no time did anyone call for a blanket reimbursement or class action, even as several court judgments declared financial predation unlawful. In 2016, the high court ruled that funeral policies on children's grants were usurious and unconstitutional.<sup>76</sup> Yet no order was made for an automatic reimbursement of those who had paid such policies for years. Likewise, the high court also ruled that insurance companies could only deduct up to 10 per cent of the value of older persons' grants. Yet no order was made for an automatic reimbursement of pensioners either. Moreover, the

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74 One outcome of the 2017 Constitutional Court case was the appointment of a panel of experts to guide the transition to a new payment system. The panel produced monthly reports about their findings. Panel of Experts, 'First Report to the Constitutional Court on the SASSA Transition' (Johannesburg, Constitutional Court, 2018).

75 *Ibid.*

76 *Lion of Africa Life Assurance Company Ltd v South African Social Security Agency and Another*, High Court of South Africa, Gauteng Division, Pretoria (97973/2015)



supreme court of appeal called for future-oriented ‘protective measures’ rather than redress for past victims of financial predation.<sup>77</sup> Despite ruling that these practices were illegal, there was no requirement for companies to make grantees whole through financial reimbursement. The ascendant liberal ANC alliance effectively allowed creditors and insurance companies profiting from social grants to get off without any financial penalties.

The resolution of this crisis maintained a deeply compromised social welfare system. South Africa’s social welfare programme depends on the growth of private capital to generate profits that can be redistributed. Under the auspices of encouraging investment, the NT has constantly protected the profits of private capital by keeping corporate taxes and inflation rates relatively low. Such policies have enabled capital to keep its profits and transfer them abroad, dramatically limiting the fiscal capacity for broad redistributive programmes. Amid such neoliberal economic planning, strict limitations on who should qualify for social assistance must be maintained. Official discourses of dependency serve as a bulwark against too much social expenditure. The 1 April crisis did not bring about any satisfactory benefit for grant recipients: grant payments were not increased, qualified recipients were not expanded and past predation was not remedied.

While this triple crisis did not lead to progressive changes in the provision of welfare, it did provide a terrain upon which the liberal and populist ANC alliances could assert their moral authority to rule. Each attempted to position itself as working in the best interests of social grantees. Minister Dlamini did this through the discourse of ‘radical economic transformation’ and ‘white monopoly capital’. These emotive and racialised terms, introduced to South African political parlance by Malema and the EFF, have been used to good effect by the populist alliance within the ANC. Such terms work to define the liberal ANC alliance as enablers of white capital at the expense of the black poor. Zuma has been particularly effective at promoting this ‘common sense’ to drum up black populist fervour and antagonisms against the liberal ANC. Yet, though ‘radical economic transformation’ sounds progressive, this mantra has progressively lost its moral power, as those who wield it have been exposed as enriching themselves. For a time, Zuma and the populist ANC alliance could assert their superiority in this way while using state contracts to benefit themselves and their associates. Eventually, however, their corruption provoked deep popular anger, as looted state-owned enterprises could no longer provide decent, consistent services for the population.

This gave Gordhan the opportunity to renovate the anti-poor legacy of the liberal faction.<sup>78</sup> With its commitment to strong state institutions and the rule of law, the liberal ANC alliance was, Gordhan suggested, more capable of working in the interests of all. Instead of appeals toward racial antagonisms, the liberal alliance tried to contain divisions through claims to govern through technocratic universalism. Yet, as David Theo Goldberg writes in *The Threat of Race*, commitments to universalism insist that race is a politically irrelevant category while also making appeals to ‘universal’ values that are allied with whiteness.<sup>79</sup> Many of the black leaders who occupy positions of authority in South Africa continue to wield power in such a way as to perpetuate liberal (white, patriarchal, Eurocentric, classed) norms through a belief in institutional state forms and the ‘stability’ of the economy. Indeed, when Gordhan proposed the commercial banks as the delivery agents of welfare, Dlamini could easily counter that the country’s financial institutions could never implement a just distribution system. The commercial banks supported and financed the

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77 *Minister of Social Development of the Republic of South Africa and Others v Net1 Applied Technologies South Africa (Pty) Ltd and Others*, 825/2017.

78 This includes Mbeki’s AIDS denialism and Ramaphosa’s involvement in the Marikana massacre.

79 D.T. Goldberg, *The Threat of Race: Reflections on Racial Neoliberalism* (Hoboken, John Wiley and Sons, 2009).

mineral energy complex and reaped huge benefit from the anti-black racism of colonialism and apartheid; these same banks drove the political transition to democracy at the expense of economic redistribution; and these same banks continue to disadvantage poor black people with higher fees for services. This too is patronage, not of bribes and back-room deals but of a more classic form, the sort of advantage that has long formed the basis of successive South African states.

Ultimately, the accumulation of these contradictions around social welfare contributed to the general crisis of hegemony and the transfer of power. The debates about who was mandated to design and implement a short-term and longer-term grant distribution system provided a platform for President Zuma to attempt to remove minister Gordhan from his position as the head of the NT. At the time, there were multiple scandals about how Zuma orchestrated Gupta-related companies to be awarded contracts to deliver products and services to state-owned enterprises. Faced with the mounting evidence of corruption, Zuma desired to exert more control over the NT to keep such procurement irregularities from being publicly exposed. Minister Dlamini's failure to seek approval from the Constitutional Court for CPS's contract was part of an attempt to give Zuma grounds to fire Gordhan and appoint a more amenable minister. If Gordhan extended the contract without the court's approval, it would have set a dangerous precedent for the NT acting outside the Public Finance Management Act. If Dlamini refused to seek the court's approval, and the Black Sash didn't intervene, Gordhan would have been held responsible for the sudden end of social grants.<sup>80</sup> As soon as the Black Sash case was filed, the Constitutional Court confirmed minister Gordhan's authority and severely disciplined minister Dlamini.

The politicking around the grant crisis led to a serious miscalculation on the part of Zuma, which helped to open the door for Ramaphosa's presidency. Three days after the court's decision, on 18 March 2017, Zuma sent a special intelligence report on Gordhan to the SACP laying out a case for him to be fired. Even though the details of the report were suspect, Zuma used it to remove Gordhan from office and replace him with minister Gigaba. This cabinet 'reshuffle' proved to be a major moment in the political life of South Africa, upsetting the tenuous balance of power within the ANC. The popular backlash against Gordhan's removal was swift and decisive and opened the way for the rise of Cyril Ramaphosa at the ANC national conference at the end of 2017. The weight of public opinion turned against Dlamini and Zuma, and many South Africans began to hope that regime change would stop the haemorrhaging of money to corruption.

Thinking about this conjuncture as a struggle for hegemony helps us see who really benefited. The term 'beneficiaries' in welfare is often used to designate recipients of state largesse – that is, the poor who receive monthly cash transfers. But, as I have explained, these 'beneficiaries' received no real 'benefit' from the April Fools' Day panic. So who did? The term 'beneficiaries' was also wielded against Dlamini, Zuma and the companies profiting from a multi-billion-rand government contract. But they too received little 'benefit' from the moral panic. CPS's contract was extended for 18 months, after which it was effectively banned from government service provision. Likewise, minister Dlamini was held responsible for negligence and shuffled to a new portfolio. In the final analysis, the most significant beneficiaries were the representatives of a certain form of liberal neoliberal capitalism, allied to current President Ramaphosa. They used the 1 April outrage as an opportunity to assert their moral authority over Zuma's faction, abetting their advance to the presidency without addressing the underlying crisis, bringing the welfare profiteers to book or paying back the money taken from grantees. The triple crisis can be seen, in hindsight, as an April Fools' prank on the poor.

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80 Foley and Swilling, *How One Word Can Change the Game*.

## The Unresolvable Resolution

While the April Fools' Day crisis was one of the biggest news stories of 2017, it was a crisis that did not resolve the grave challenges of unemployment and poverty in the country. The Ramaphosa alliance used this moment to assert their moral and political authority to rule. Capitalising on the political economic conjuncture, they were able to use the triple crisis of social grants as a significant lever in their hegemonic struggle for brand ANC. This liberal alliance relied upon the corruption and patronage of Dlamini–Zuma to maintain its appearance of relative decency. Only then could a faction that has consistently represented the interests of a certain sort of neoliberal capitalism appear to stand above and apart from particular interests and represent the general will. Working through the power of common sense, Rampahosa's liberal universalism triumphed. However, there is no certainty that his ruling alliance will continue to keep power; it continues to be fragile. They have not transformed inequality within society. The precariousness of the social formation will continue, building toward future crises.

**Coda:** Three years after the events described in this article, another crisis was at hand: Covid-19. During the first year of the pandemic, Ramaphosa's minister of finance, Tito Mboweni, claimed state poverty to justify the passage of an austerity budget during a pandemic. While R41 billion was allocated for additional social grants, this relief was inadequate to the scale of the crisis. When three million people lost their jobs during South Africa's lockdown, SASSA temporarily instituted a grant for working-aged, able-bodied unemployed people. For one year, this long-excluded cohort was deemed deserving of social assistance. By April 2021, however, the Covid-19 Social Relief of Distress (SRD) grant was terminated, and this economically precarious cohort was once again deemed undeserving of social assistance. Owing to enormous civil society pressure, the Covid-19 SRD grant was reinstated in August 2021 and will continue until March 2022. Currently, Treasury, SASSA, DSD and civil society are engaged in very public debates about how to institute some form of permanent social protection for working-aged people with little or no income after the March 2022 deadline. All the critical details of such a programme – who deserves to benefit and how much the benefit should be – are under discussion. And the devil will be in those details, which will determine to what extent social grants will be generous or austere, remapping South Africa's racial capitalist geography.

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