

DBSA's ANC chair wields the axe

Fallout at state entity raises question about top party man's role

Allegations that the board chair and the CEO spearheaded the reconstitution of the board unilaterally are grossly misleading

DBSA statement

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The Development Bank of Southern Africa (**DBSA**) is facing allegations of corporate governance breaches and abuse of power — including that its CEO took part in a process to identify new board members.

The boardroom rumblings come amid fresh concerns about the possible conflict of interest created by the appointment of ANC economic transformation sub-committee chair Enoch Godongwana as chair at the bank.

The new directors — Gaby Magomola, Bongani Nqwababa, Maseapo Kganedi and Maseapo Kganedi — were approved by finance minister Tito Mboweni.

This was after a process that, for the first time in the history of the DBSA, was led by the board chair, the CEO Patrick Dlamini and company secretary Bathobile Sowazi.

They are not members of the bank's human resources & nominations sub-committee, the structure responsible for this function. The names were only taken to the full board after they had been to Mboweni. The Sunday Times was told that one of the long-serving board members reflected that it was a first for him in the six years he has served on the board.

The Sunday Times has seen an internal letter of complaint sent in May by one of the committee's then members, Letlhogonolo Noge-Tungamirai, who said the sidelining of committee members was irregular and in conflict with governance protocols.

The nominations committee charter authorises only the committee to nominate nonexecutive directors. It does "not refer to the involvement of the CEO, board secretary, or an outside panel in the process", she said.

On the face of it the process usurped power from an appointed committee, giving it to people who have a direct interest in who has oversight of the bank.

The bank defended the appointments, saying they were above board, transparent, and endorsed by Mboweni. "The process that was taken was the most transparent undertaking in the reconstitution of the board at the DBSA in the recent past," it said in a statement.

It said for the reconstitution of the board, the minister advised that a committee comprised of non-conflicted board members and led by the chair should refer to a board evaluation report by the Institute of Directors that detailed the results of performance assessments of all board members and also made recommendations regarding the requisite skills needed for the board.

The bank said it was Mboweni who appointed Godongwana to head the process. "Allegations that the board chairperson and the CEO spearheaded the reconstitution of the board unilaterally are false and

grossly misleading. The actions taken with regards to board vacancies and reappointments of board members were transparent and in line with the DBSA Act and good corporate governance practices.” The Sunday Times saw a letter by Mboweni authorising Godongwana’s actions after the process was started in June.

Mboweni also endorsed Godongwana’s decision not to approve new terms for Lufuno Nematswerani, Bulelwa Ndamase and Noge-Tungamirai.

On Saturday, the National Treasury said Mboweni was considering the Sunday Times’s questions and would respond in due course.

UDM leader Bantu Holomisa, who wrote to parliament’s standing committee on public accounts about the matter, said the process could only have been made possible by the fact that Godongwana, as chair of the ANC’s economic transformation committee, is effectively Mboweni’s boss at Luthuli House.

“It is not surprising but disappointing that the minister cannot act against the chairperson,” Holomisa said, adding that he has also asked President Cyril Ramaphosa to institute a commission of inquiry into the DBSA.

DA spokesperson on finance Geordin Hill-Lewis said the root cause of this risk to the bank lies in the conflict of interest created by Godongwana as Mboweni’s political boss. “This is the trouble with cadre deployment — political loyalty soon trumps adherence to the law, good governance and policy,” he said. “This is why cadre deployment is the root of state capture. The finance minister’s first duty is to uphold the law. If there has been any breach of law at the DBSA, the minister must take action.”

The DBSA is a critical pillar of the country’s economy, and is one of the state’s development finance institutions.

Its primary purpose is to fund and co-ordinate development projects in various sectors, with a focus on infrastructure, in the Southern African Development Community region.

It will be a key cog in the government’s plan to reinvigorate the economy through the National Infrastructure Fund, which the government hopes will reach R1-trillion.

Professor Susan Booysen, a political analyst and visiting professor at Wits University, said the arrangement is of critical importance given that the ANC often conflates state and party power.

“It’s a great reason for concern, and yet another instance of a parallel and supplementary governance structure.”

Two of the country’s biggest asset managers, Sanlam Investments and Old Mutual’s Futuregrowth, have raised questions about the risk of conflict of interest created by Godongwana’s chairmanship, as he is also the chair of the ANC’s economic development sub-committee in the party’s national executive committee (NEC).

In September, Godongwana, writing in Business Day, dismissed similar concerns from Old Mutual’s Futuregrowth, saying it wasn’t the first time ANC NEC members had been deployed to state-owned enterprises. © **Sunday Times, 08 November 2020. Page 06.**