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The national assembly votes in favour of examining how to change the constitution to allow expropriation of land without compensation. President Cyril Ramaphosa (2018-present) makes changes to his cabinet, removing some of those associated with the Guptas or former President Jacob Zuma (2009-2018). The now former finance minister, Malusi Gigaba, delivers his annual budget speech to the national assembly. Gigaba re-iterates some points made in Ramaphosa's maiden State of the Nation Address, in which Ramaphosa promised strong action against corruption, as well as an end to forms of state capture at state-owned enterprises such as utility company Eskom.

Parliament passes motion to examine expropriation of land without compensation

South Africa's national assembly voted on 27 February in favour of examining how to change the constitution to allow expropriation of land without compensation.¹ The ruling **African National Congress (ANC)** and **Economic Freedom Fighters (EFF)** opposition party joined forces to support the motion, in which 241 members of parliament (MPs) voted in favour and 83 voted against.² The matter is now referred to the constitutional review committee, which must deliver a report by 30 August.³ At this point the ANC and EFF could call for a vote to change the constitution, which would require two thirds of MPs to support the change, or 266 votes.⁴ With all 249 ANC votes and 25 EFF votes, the constitution could be changed, though it is uncertain whether all ANC members would vote in favour of the changes as several issues would need to be addressed.

The ANC and the EFF differ in their vision of what form land expropriation would take. President **Cyril Ramaphosa** (2018-present) said in February that expropriation without compensation should be implemented in a way that increases agricultural production, improves food security,

"...and ensure[s] that the land is returned to those from whom it was taken under colonialism and apartheid."⁵

This implies that the ANC's policy would be to expropriate unused land to redress racial disparities. **David Masondo**, a member of the ANC's economic transformation committee, said the ANC will not target land that is productively utilised:

"But use it or lose it, even if you are black. It includes vacant land, unused land, and land used for speculative purposes."⁶

The EFF, on the other hand, wants to nationalise all land and then lease it to tenants.⁷ This would hit the finance sector which holds bank mortgages on land.⁸ ANC officials do not appear to agree with the EFF's land policy, and the government announced on 13 March that it would speed up the transfer of ownership of homes, worth a total of 180 billion rand (R) (\$15 billion), from April, which is at odds

¹ Business Day, 27 Feb 2018.

² Business Day, 27 Feb 2018.

³ Business Day, 27 Feb 2018.

⁴ Daily Maverick, 12 Jan 2014.

⁵ IOL, 16 Feb 2018.

⁶ Reuters, 6 Mar 2018.

⁷ Business Tech, 1 Mar 2018.

⁸ Business Tech, 1 Mar 2018.

with the EFF's nationalisation plan and may strain future partnership between the parties.⁹ The EFF has also not clarified whether its land policy refers to agricultural land only or if it also includes residential land. Nationalisation of agricultural land alone would expose banks to a loss of approximately R180 billion (\$15.1 billion), according to **Bulelwa Mabasa**, director at **Worksman Attorneys**.¹⁰ There are already fears that banks will be more cautious in lending for agricultural purposes due to the risk that the land may be expropriated at some time in the future. This will drive up borrowing costs and, in turn, the cost of food, conflicting with the ANC's land policy.¹¹ Nationalisation of residential land also would effectively destroy the financial system.¹²

Political wrangling will also influence the future of expropriation without compensation. Legislative elections are scheduled for 2019 and will be a litmus test for the issue. The ANC appears to have taken up the issue as part of former President **Jacob Zuma's** (2009-2018) populist efforts on radical economic transformation. The largest opposition party in the national assembly, the **Democratic Alliance (DA)**, voted against, and has continued to protest, the motion.¹³ The EFF has used land expropriation as its major policy issue, and an increase in votes for the EFF and ANC will encourage the parties to continue the process. EFF leader **Julius Malema** has said that the EFF will target DA-controlled **Nelson Mandela Bay, Tshwane** and **Johannesburg** to make sure the DA loses power.¹⁴ However, if the DA were to increase its share of seats in the national assembly, it could signal that the population prefers economic progress to land reform, which may slow down the process to change the constitution.

There is also debate as to whether the constitution needs to be changed in order to address land issues. Malema's motivation for the motion to change the constitution noted that the November 2017 land audit report found that black South Africans, who make up 79% of the population, own only 1.2% of rural land and 7% of urban land, while white South Africans, who comprise 9% of the population, own 23.6% of rural land and 11.4% of urban land.¹⁵ However, Malema did not mention that only 33% of land is owned by private individuals, while 67% is owned by companies, trusts, the state, traditional authorities, churches and community organisations, for which there is no racial ownership composition.¹⁶ **Zulu King Goodwill Zwelithini** has cautioned the government to exclude tribal land such as Zwelithini's **Ingonyama Trust** from the expropriation process.¹⁷

Land reform is a contentious issue. While politically charged at the moment, the process to confirm the constitutional changes may take years, as the change impacts other pieces of legislation such as the **National Credit Act** of 2005 and the **Expropriation Act** of 1975.¹⁸ Investors should be prepared for land issues to remain on the political agenda until the 2019 elections and beyond, at least until South Africa's economy improves at a rate where there is meaningful development. Any expropriation of land by the Ramaphosa-led ANC is likely to be minimal – enough to show the electorate that it is happening, but not enough to scare off foreign investment. However, the land issue could become a greater risk in the future if Ramaphosa is unable to re-start South Africa's economic engine.

Ramaphosa announces new cabinet

President Cyril Ramaphosa made changes to his cabinet on 26 February.¹⁹ Ramaphosa hopes his changes will help to reignite investor confidence in South Africa, though opposition parties maintain

⁹ IOL, 13 Mar 2018.

¹⁰ Business Tech, 1 Mar 2018.

¹¹ Business Tech, 1 Mar 2018.

¹² Business Tech, 1 Mar 2018.

¹³ Eyewitness News, 12 Mar 2018.

¹⁴ Business Day, 27 Feb 2018.

¹⁵ News24, 4 Feb 2018.

¹⁶ News24, 4 Feb 2018.

¹⁷ EWN, 2 Mar 2018.

¹⁸ MoneyWeb, 1 Mar 2018.

¹⁹ EWN, 27 Feb 2018.

that the government is still too large and retains individuals associated with Zuma's corrupt regime. **David Mabuza** is the new deputy president, while the new cabinet consists of:²⁰

Department	Previous minister	New minister
Communications	Mmamoloko Kubayi-Ngubane	Nomvula Mokonyane
Cooperative governance and traditional affairs	Des van Rooyen	Zweli Mkhize
Energy	David Mahlobo	Jeff Radebe
Finance	Malusi Gigaba	Nhlanhle Nene
Higher education	Hlengiwe Mkhize	Naledi Pandor
Home affairs	Ayanda Dlodlo	Malusi Gigaba
Human settlements	Lindiwe Sisulu	Nomaindia Mfeketo
International relations and cooperation	Maite Nkoana-Mashabane	Lindiwe Sisulu
Mineral Resources	Mosebenzi Zwane	Gwede Mantashe
Police	Fikili Mbalula	Bheki Cele
Public enterprises	Lynne Browne	Pravin Gordhan
Public service and administration	Faith Muthambi	Ayanda Dlodlo
Public works	Nathi Nhleko	Thulas Nxesi
Rural development and land reform	Gugile Nkwinti	Maite Nkoana-Mashabane
Science and technology	Naledi Pandor	Mmamoloko Kubayi-Ngubane
Social development	Bathabile Dlamini	Susan Shabangu
Sport and recreation	Thulas Nxesi	Tokozile Xasa
State security	Bongani Bongo	Dipuo Letsatsi-Duba
Presidency	Jeff Radebe	Nkosazana Dlamini-Zuma
Tourism	Tokozile Xasa	Derek Hanekom
Transport	Joe Maswanyanyi	Blade Nzimande
Water and sanitation	Nomvula Mokonyane	Gugile Nkwinti
Women in the presidency	Susan Shabangu	Bathabile Dlamini

Analysts have generally reacted positively to the cabinet reshuffle:

“Ramaphosa has removed a lot of Gupta-related politicians, such as van Rooyen and Zwane, though he has obviously had to make concessions for ANC internal politics, as illustrated by Dlamini-Zuma’s appointment. However, the major departments – finance, mineral resources, and

²⁰ EWN, 27 Feb 2018.

public enterprises – are all now staffed by capable technocrats who should be able to turn them around after the Zuma years.”²¹

One of the biggest surprises was the appointment of Mabuza as deputy president. Mabuza was the premier of **Mpumalanga Province** and a former member of the so-called Premier League in the ANC that supported Zuma and was expected to support Dlamini-Zuma for ANC president.²² Mabuza, however, changed sides and is credited with helping Ramaphosa’s victory, which may be the reason for this appointment.²³ As deputy president, Mabuza is in line to become ANC president for the 2029 elections and his actions as deputy president may be key to forecasting South Africa’s long-term stability should Mabuza one day enter the **Union Buildings** as president.

Malusi Gigaba delivers controversial budget speech

South Africa’s now former finance minister, **Malusi Gigaba**, delivered his annual budget speech to the national assembly on 21 February.²⁴ Gigaba’s speech was politically controversial. The opposition EFF boycotted it and called for Gigaba’s dismissal as a “*Gupta stooge*”.²⁵ The DA stood up on a point of order relating to the **North Gauteng High Court**’s findings that Gigaba had lied under oath and said he should not be allowed to deliver the budget speech.²⁶ **National Assembly** speaker **Baleka Mbete** did not accept the DA’s point of order and allowed Gigaba to deliver the speech.²⁷

Gigaba’s budget projects a slightly improved gross domestic product growth rate of 1.5% and inflation at 5.3%, while focusing on more efficient government spending and good governance at state-owned enterprises.²⁸ Taxes were raised on alcohol, cigarettes and fuel, but the main point of contention was the decision to raise value-added tax (VAT) from 14% to 15% from 1 April.²⁹ The decision to raise VAT was to overcome a R48.2 billion (\$4.1 billion) revenue shortfall, which was due to the failure of the **South African Revenue Service (SARS)** to hit target collections.³⁰ Opposition parties and NGOs criticised the VAT increase, arguing that it targets the poor unfairly.³¹ Gigaba said that the government had prioritised free higher education for the poor and middle class, and increased social grants to counter the VAT increase.³² Child support grants increased from R380 (\$32.85) to R410 (\$35.44), while the old age, disability and care dependency grants increased from R1,600 (\$138.30) to R1,700 (\$146.95).³³ The government plans to cut spending by R85m (\$7.3m) with decreases in transfers to provinces and local government, though this will increase pressure on provincial and municipal governments to improve service delivery.³⁴ Gigaba did not mention any plans to privatise struggling state-owned companies such as **South African Airways** or power utility **Eskom**.

Gigaba re-iterated some points made in Ramaphosa’s maiden State of the Nation Address (SONA), in which Ramaphosa promised strong action against corruption, which increased drastically under Zuma, as well as an end to forms of state capture at state-owned enterprises, such as Eskom.³⁵ The mood was jovial in the national assembly during Ramaphosa’s SONA compared to previous years when the EFF disturbed Zuma’s SONA speeches, heckling him over allegations of corruption.

²¹ Source, analyst, Cape Town

²² Business Day, 27 Feb 2018.

²³ Business Day, 27 Feb 2018.

²⁴ Sunday Times, 21 Feb 2018.

²⁵ Daily Maverick, 22 Feb 2018.

²⁶ Daily Maverick, 22 Feb 2018.

²⁷ Daily Maverick, 22 Feb 2018.

²⁸ Daily Maverick, 22 Feb 2018.

²⁹ Daily Maverick, 22 Feb 2018.

³⁰ Daily Maverick, 22 Feb 2018.

³¹ EWN, 22 Feb 2018.

³² 10,000 Couple, 22 Feb 2018.

³³ 10,000 Couple, , 22 Feb 2018.

³⁴ Daily Maverick, 22 Feb 2018.

³⁵ News24, 16 Feb 2018.

Ramaphosa said in his SONA that he would convene a jobs summit to address rising unemployment and encourage radical economic transformation by improving the position of black women and communities in the economy.³⁶ Ramaphosa stated that consultations with key players in the mining sector would commence to ensure the new mining charter works for mining companies and South Africa, and that the government would introduce a national minimum wage by 1 May.³⁷

Planner

May 2019: Next presidential election

30 Aug 2018: Committee to present report on amending constitution for expropriation of land without compensation

Chronology

13 Mar 2018 **(South Africa)** *IOL*. Government announces that it will speed up transfer of ownership of homes to a total value of \$15 billion from April;

13 Mar 2018 **(South Africa)** *BusinessTech*. The **Organisation for Economic Cooperation and Development** revises South Africa's growth rate to 1.9% in 2018 and 2.1% in 2019;

13 Mar 2018 **Johannesburg (South Africa)** *Reuters*. State-owned airline **South African Airways** suspends chief financial officer **Phumeza Nhantsi** for undisclosed reasons;

13 Mar 2018 **(South Africa)** *Fin24*. **National Treasury** official **Tshepiso Moahloli** announces plans to raise up to \$3 billion from international markets starting 1 April;

13 Mar 2018 **(South Africa)** *Reuters*. The **South African Reserve Bank** (central bank) announces it will not raise interest rates due to the increase in value added tax, though inflation is expected to increase by 0.6%;

13 Mar 2018 **(South Africa)** *BusinessTech*. Cooperative governance and traditional affairs minister **Zweli Mkhize** declares the drought and water crisis a national state of disaster;

13 Mar 2018 **(South Africa)** *Reuters*. South Africa's manufacturing output rises 2.5% year-on-year in January;

12 Mar 2018 **Johannesburg (South Africa)** *IOL*. South Africa and **Seychelles** sign bilateral agreements to improve economic and political cooperation;

12 Mar 2018 **(South Africa)** *Reuters*. South Africa-based **Steinhoff** sells part of its \$700m stake in **KAP Industrial** to increase its liquidity after accounting irregularities in December;

12 Mar 2018 **(South Africa)** *Reuters*. **National Union of Metalworkers of South Africa (NUMSA)** wins court case blocking state-owned power utility **Eskom** from signing \$4.7 billion of renewable energy deals;

12 Mar 2018 **(South Africa)** *Reuters*. **Sweden**-based music streaming company **Spotify** launches in South Africa, its first entry into **Africa**;

11 Mar 2018 **Johannesburg (South Africa)** *Reuters*. President **Cyril Ramaphosa** warns that land invasions would not be tolerated despite plans to change the constitution to allow expropriation of property without compensation;

11 Mar 2018 **Pretoria (South Africa)** *Citizen*. Home affairs minister **Malusi Gigaba** discusses the possibility of revoking **Ajay Gupta's** South African residency;

³⁶ ENCA, "Promises Ramaphosa made in his SONA speech", www.enca.com, 17 Feb 2018.

³⁷ ENCA, "Promises Ramaphosa made in his SONA speech", www.enca.com, 17 Feb 2018.

11 Mar 2018 **(South Africa)** *Rapport*. South African media reports that **Atul** and **Rajesh Gupta** both have multiple South African passports the home affairs department issued despite calls for the Gupta's prosecution;

10 Mar 2018 **Johannesburg (South Africa)** *Reuters*. Human rights lawyer **Richard Spoor** plans to launch a class action lawsuit against South Africa-based **Tiger Brands** on behalf of families of people who died or were affected by listeria outbreak;

9 Mar 2018 **(South Africa)** *Reuters*. South Africa's competition tribunal approves **China**-based **Sinopec Corp's** offer to buy the South Africa and **Botswana** assets of **United States**-based oil company **Chevron**;

9 Mar 2018 **(South Africa)** *Daily Maverick*. Energy minister **Jeff Radebe** announces that 27 electricity generation projects worth R56 billion (\$4.7 billion) will be signed on 13 March;

9 Mar 2018 **(South Africa)** *eNCA*. State-owned **South African Airlines** reports losses of R5.5 billion (\$464m) in 2017

8 Mar 2018 **(South Africa)** *BusinessTech*. South Africa-based insurance company **Sanlam** states that it will purchase the remaining 53.37% stake in **Egypt**-based insurance company, **Saham Group**, for \$1.05 billion;

8 Mar 2018 **Cape Town (South Africa)** *Reuters*. South Africa state-owned power company Eskom states it will sign purchase agreements with independent power producers for 27 renewable projects which will generate \$4.7 billion in investments;

7 Mar 2018 **Cape Town (South Africa)** *Reuters*. President Cyril Ramaphosa tells ratings agency **Moody's** that any expropriation of land without compensation would be done in a way that does not harm the economy or food security;

5 Mar 2017 **(South Africa)** *IOL*. State-owned transport company **Transnet** launches **Transnet International Holdings** to facilitate rail, port and pipeline projects in the rest of Africa;

4 Mar 2017 **(South Africa)** *BBC*. The government traces the listeria outbreak to a factory of **Enterprise Foods** in **Limpopo Province**;

27 Feb 2018 **Cape Town (South Africa)** *News24*. The national assembly votes in favour of examining how to change the constitution to allow expropriation without compensation;

26 Feb 2018 **(South Africa)** *News24*. President Cyril Ramaphosa makes changes to his cabinet, removing many Gupta and Zuma allies;

21 Feb 2018 **(South Africa)** *Business Day*. Finance minister Malusi Gigaba delivers his annual budget speech;

16 Feb 2018 **(South Africa)** *News24*. President Cyril Ramaphosa delivers his maiden state of the nation address;

15 Feb 2018 **(South Africa)** *IOL*. Parliament elects Cyril Ramaphosa as the new president of South Africa;