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President Cyril Ramaphosa (2018-present) announces his long-awaited cabinet reshuffle on 6 March. He makes 12 cabinet-level changes, including appointing Paul Mashatile as deputy president and creating a new electricity minister. The Financial Action Task Force (FATF) grey-lists South Africa on 24 February after the country fails to fully address the anti-money laundering and counter-terrorist financing watchdog's concerns. The inclusion in the FATF's grey list is unlikely to have severe immediate impacts or disrupt existing trade and investment relationships but will harm the finance and investment sectors over the long term. The International Monetary Fund (IMF) forecasts in a statement on 22 March that the South African economy will stagnate in the coming year. This economic malaise is driving social and labour tensions in the country as illustrated by the public health sector strike between 6 and 15 March. However, poor to moderate support is shown for the Economic Freedom Fighters (EFF) calls for a national shutdown on 20 March.

Ramaphosa announces cabinet reshuffle

President **Cyril Ramaphosa** (2018-present) announced his long-awaited cabinet reshuffle on 6 March, making 12 cabinet-level changes including appointing **African National Congress (ANC)** deputy president **Paul Mashatile** as the national deputy president. ¹ In addition, the president made ten changes at the deputy minister level. The announced reshuffle changes were as follows:

Cabinet-level:

- Deputy president – Paul Mashatile;
- Minister in the presidency - **Khumbudzo Ntshavheni**;
- Minister in the presidency responsible for women, youth and persons with disabilities - **Nkosazana Dlamini-Zuma**;
- Minister in the presidency responsible for planning, monitoring and evaluation - **Maropene Ramokgopa**;
- Minister in the presidency responsible for electricity - **Kgosientsho Ramokgopa**;
- Communications and digital technologies minister - **Mondli Gungubele**;
- Cooperative governance and traditional affairs minister - **Thembi Nkadimeng**;
- Public service and administration minister - **Noxolo Kiviet**;
- Public works and infrastructure minister - **Sihle Zikalala**;
- Sports, arts and culture minister - **Zizi Kodwa**;
- Tourism minister - **Patricia de Lille**;
- Transport minister - **Sindisiwe Chikunga**. ²

Deputy minister level:

- Deputy ministers in the presidency - **Nomasonto Motaung** and **Kenneth Morolong**;
- Deputy minister in the presidency responsible for women, youth and persons with - **Sisisi Tolashe**;
- Deputy minister in the presidency responsible for planning, monitoring and evaluation - **Pinky Kekana**;

¹ Presidency, 6 Mar 2023

² Presidency, 6 Mar 2023

- Cooperative governance and traditional affairs deputy ministers - **Parks Tau** and **Zolile Burns-Ncamashe**;
- Water and sanitation deputy ministers - **Judith Tshabalala** (alongside incumbent **David Mahlobo**);
- Public works deputy minister - **Bernice Swarts**;
- Small business development deputy minister - **Dipuo Peters**;
- Public enterprises deputy minister - **Obed Bapela**;
- Transport deputy minister - **Lisa Mangcu**.³

This reshuffle had been anticipated since the mid-December ANC national elective congress. The conference resulted in an important shift in power within the ruling party in Ramaphosa's favour. In addition, Mashatile was elected as the new party president while former transport minister **Fikile Mbalula** was elected as ANC secretary-general which is considered a full-time position. As such, Ramaphosa needed to reshuffle his cabinet to reflect these positional and power dynamic changes within the ANC.

Ramaphosa used this reshuffle to deepen his control over the cabinet and ensure he has key allies in important portfolios. Illustrative of this was the appointment of ANC's second deputy secretary general Maropene Ramokgopa as the new minister in the presidency responsible for planning, monitoring and evaluation. Ramokgopa is a close Ramaphosa ally, and the newly created portfolio will provide her with oversight capacity over the rest of cabinet.

The president also took advantage of the reshuffle to remove and side line his rivals within the party, most notably, former tourism minister **Lindiwe Sisulu**. Sisulu had been a vocal and biting critic of Ramaphosa for much of the past year, including advocating against the President ahead of the ANC's December conference. Similarly, former cooperative governance and traditional affairs (COGTA) minister Dlamini-Zuma was reassigned as the minister in the presidency responsible for women, youth and persons with disabilities. This is viewed as a clear demotion as the COGTA portfolio is among the most influential in government while her current role is a position within the presidency. Dlamini-Zuma had also vocally criticised Ramaphosa and even voted in favour of the parliamentary motion to set up an ad hoc committee to investigate his conduct related to a break-in at his **Phala Phala** farm (*See ARC South Africa Briefing Dec 2022*). The fact that Dlamini-Zuma retained a place in cabinet despite this underscores her influence within the ANC – she and Ramaphosa are also reported to have a good working relationship despite the public rivalry.

The most significant position announced in the reshuffle was the appointment of former **Tshwane** mayor and head of infrastructure in the presidency Kgosientsho Ramokgopa as the new minister in the presidency responsible for electricity.⁴ This new portfolio was announced during Ramaphosa's 9 February **State of the Nation Address (SONA)** and has been tasked with overseeing the state's response to the ongoing energy supply crisis (colloquially referred to as load shedding). Ramokgopa's ministerial powers have yet to be fully articulated but the new minister indicated that once he has concluded his ongoing assessment of the crisis, he will submit a request to Ramaphosa to imbue his office with specific powers.⁵

Kgosientsho Ramokgopa's appointment as the new electricity minister has generally been met with approval as he is considered among the more capable of the available senior ANC members who have Ramaphosa's ear.⁶ The new minister has a background in civil engineering and served as the **Gauteng** member of the executive council (MEC) for economic development prior to his appointment as the head of the investment and infrastructure office in the presidency in 2019.⁷ However, the electricity minister faces an uphill battle. The load shedding crisis is worsening and, at present, the national

³ Presidency, 6 Mar 2023

⁴ Presidency, 6 Mar 2023.

⁵ Engineering news 7 Mar 2023

⁶ ARC Source, Energy sector expert, 7 Mar 2023

⁷ LinkedIn, 27 Mar 2023

power utility, **Eskom**, is without a permanent CEO. The incumbent COO is set to retire in April as well. In addition, the company is beset with challenges ranging from an ageing infrastructure grid to entrenched criminal networks. Ramokgopa will also need to contend with political rivalries within the cabinet itself. The government's response to the electricity crisis has been partly hindered by public enterprises minister **Pravin Gordhan** and energy minister **Gwede Mantashe**'s constant wrestling for control over the energy crisis. Gordhan's department officially oversees Eskom, but Mantashe has control over approving new sources of energy and new generation projects. There are concerns that the introduction of a third minister – Ramokgopa – will further complicate this situation and contribute to the malaise in the government's response.

Ramaphosa's reshuffle may have helped cement his control over the ANC but is unlikely to do much to address the country's various substantial challenges. He has failed to remove poor-performing ministers such as Gordhan, Mantashe, education minister **Angie Motshekga**, and police minister **Bheki Cele**. Furthermore, the reshuffle has resulted in the creation of two new ministers and four new deputy ministers further expanding an already bloated cabinet.

South Africa grey-listed after failing to address money laundering concerns

The global **Financial Action Task Force (FATF)** voted on 24 February to add **South Africa** to its 'increased monitoring' list otherwise known as the grey list.⁸ The intergovernmental and anti-money laundering and counterterrorist financing (AML/CFT) watchdog found that South Africa's recently hastily implemented efforts to address its shortfalls were insufficient to avoid inclusion in the list.

The FATF warned South Africa in October 2021 that it was at risk of being grey-listed in February 2023 after the country fell short in 20 of the FATF's 40 standards and was found deficient in all 11 strategic areas.⁹ Yet, despite the urgency of the matter the government only introduced the necessary bills to address these shortcomings in August 2022, these bills - the **General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act No 22 of 2022**; and the **Protection of Constitutional Democracy Against Terrorism and Related Activities Amendment Act No 23 of 2022** – only passed the legislature in late November and were only gazetted in the last week of December.¹⁰ This did not leave sufficient time for these new laws to illustrate their efficacy.

Furthermore, although the new bills address the country's 20 shortcomings in the AML/CFT standards, South Africa is still deficient in eight of the 11 strategic areas.¹¹ These notably include most of the areas pertaining to the investigating, prosecuting, and convicting of those accused of money laundering and terrorist financing. As such, South Africa is unlikely to be removed from the FATF's grey list until the justice system can reduce the persistent delays and postponements in these court cases and the **National Prosecuting Authority (NPA)** begins securing convictions in corruption and state capture cases which are typically among the country's most high-profile money laundering cases.

The inclusion in the FATF's grey list is unlikely to have severe immediate impacts or disrupt existing trade and investment relationships, however, the country's presence on the list will harm the finance and investment sectors over the long term.¹² Several global major institutional investors will be prohibited from investing in South Africa due to strict risk compliance regulations. In addition, additional and costly due diligence will be required for international firms wishing to invest or do business in South Africa. This will make the country less attractive when compared with emerging market peers. This is particularly concerning as South Africa's sophisticated business and finance environment is a major asset for the country and has helped offset the harm caused by load shedding to investment. The long-term damage caused by prolonged inclusion on the grey list led the

⁸ Tech Central, 24 Feb 2023

⁹ M&G, 26 Feb 2023

¹⁰ EWN, 7 Jan 2023.

¹¹ Treasury, 22 Feb 2023

¹² Investec, 1 Mar 2023

International Monetary Fund (IMF) to call on the South African government to hasten its efforts to resolve any outstanding issues and get off the list.

IMF warns of economic stagnation

The IMF released its latest **Article IV Mission** statement on 22 March following the institution's annual assessment of South Africa.¹³ The statement notes that the IMF is currently forecasting South Africa's economy to only grow by 0.1% in 2023, essentially indicating that the economy is expected to stagnate this year. This worrying prediction is based on the severe ongoing effects of load shedding, weaker commodity prices, and a difficult global economic environment. Of further concern, is the fact that financial institution only expects economic growth to rebound to 1.5% over the medium term.

This comes at a time when other key indicators are also in decline. South Africa recorded its first current account deficit for the first time in three years in 2022 due to the effects of load shedding and the failing railway and port system.¹⁴ The current account deficit was around 0.5% of GDP in 2022 but the IMF expects this to sharply worsen to 2.3% of GDP this year and 2.5% in 2024.¹⁵ This is again due to the impacts of load shedding.

Unsurprisingly, the IMF's recommended reforms focus on addressing energy security and poor-performing state-owned enterprises (SOEs). These reforms include but are not limited to, restoring energy security, implementing the **Just Energy Transition Investment Plan**, alleviating transportation logistics bottlenecks (including improving railway and ports operator **Transnet's** efficiency and viability), and rationalising SOEs which are underperforming and/or have overlapping mandates. These reforms are urgently needed as the country's sluggish economic growth is fuelling social tensions and public resentment which could fuel increased civil unrest and labour tensions.

Indicators of social unrest increasing

South Africa's economic malaise combined with rising economic insecurity amid a cost of living and energy supply crisis is driving increased social tension in the country, as seen through the deteriorating labour relations between the state and public sector unions. The most recent example of this was the public health sector strike by the **National Education, Health and Allied Workers Union (NEHAWU)** between 6 and 15 March.¹⁶ NEHAWU embarked on the strike despite a court interdict on 6 March after wage negotiations collapsed. The union demanded a 10% wage increase while the government only offered 4.7%.¹⁷ The strike was called off after the state increased its offer to 7% which is essentially an inflationary increase.¹⁸

The strike was marked by widespread disruptions at public hospitals and scenes of patients going untreated. Health officials estimate that at least four people died as a direct result of the impact of the strike.¹⁹ This is likely the start of a series of contentious public sector strikes in the coming months. Negotiations between the government and the **Public Service Association (PSA)** – the largest civil servants union – are also underway. These negotiations have been deeply contentious and have threatened to result in a major strike. The risk of a countrywide disruptive public sector strike has hopefully been offset by the government's latest offer of a 7.5% wage increase, which is less than the 10% demanded by unions but much higher than the original offer of 3%.²⁰ If the PSA accepts the offer, it will undermine the **National Treasury's** ongoing fiscal consolidation and austerity efforts.

Political parties are also seeking to take advantage of the ongoing social tensions. Opposition party, the **Economic Freedom Fighters (EFF)**, called for a national shutdown on 20 March, asking for an

¹³ IMF, 22 Mar 2023

¹⁴ News24, 9 Mar 2023

¹⁵ IMF, 22 Mar 2023

¹⁶ M&G 15 Mar 2023

¹⁷ News24, 15 Mar 2023

¹⁸ Daily Maverick, 15 Mar 2023

¹⁹ Times, 9 Mar 2023

²⁰ News 24, 22 Mar 2023

end to load shedding and demanding that Ramaphosa resigns as president.²¹ The majority of demonstrations called by the party across the country received poor-to-moderate support except for the main march in **Pretoria**. The protest was largely a disappointment, especially given the lofty claims made by the party ahead of the event. The EFF did seek to salvage face by claiming that the true success was marked by the number of schools and businesses closed on the day. However, this claim is undermined by the fact that schools were already closed for a long weekend and many businesses and workers opted to take Monday off given that Tuesday (21 March) was a public holiday.

The protest did reveal the state's concerns over potential unrest, especially in the wake of the July 2021 unrest. The state responded to the EFF's veiled threats of violence and looting by deploying a substantial number of security forces, including **South African National Defence Force (SANDF)** personnel. These forces did adopt a zero-tolerance approach resulting in the arrest of 87 people on the day.²²

The underwhelming participation in the EFF's countrywide protest did indicate that there remains a limited appetite for extremist politics and calls for unrest in the country. However, the NEHAWU strikes do confirm the rising social and labour tensions in the country. These are expected to worsen in the coming year as the economy stagnates and the 2024 general election nears.

Planner

1-2 Apr 2023 **Johannesburg (South Africa) Democratic Alliance (DA)** federal congress;
 23-24 Aug 2023 **Johannesburg (South Africa)** South Africa to host the 15th **Brazil, Russia, India, China, South Africa (BRICS)** summit;
 2024 **(South Africa)** General election;

Chronology

26 Mar 2023 **Cape Town (South Africa) News24**. The **Democratic Alliance's** policy head **Gwen Ngwenya** resigns ostensibly to go into the private sector, becoming the latest high-profile black leader to leave the party and she is exiting just before the party's federal congress;

23 Mar 2023 **Pretoria (South Africa)**. *Africa News*. President **Cyril Ramaphosa** hosts **Belgium's King Philippe** and **Queen Mathilde** on a state visit;

21 Mar 2023 **Johannesburg (South Africa) Business Tech**. South Africa experiences its first 24-hour period without load shedding since 25 December;

17 Mar 2023 **Pretoria (South Africa) EWN**. The **Pretoria** magistrates court delays suspended public protector **Busisiwe Mkhwebane's** perjury case until October which means the criminal case will occur after her term in office expires;

16 Mar 2023 **Johannesburg (South Africa) Business Day**. The ruling **African National Congress (ANC)** rejects an opposition **Democratic Alliance (DA)** proposal to set up an ad hoc committee to investigate allegations of fraud, corruption and sabotage at state-owned power utility **Eskom** made by former CEO **André de Ruyter** and in intelligence reports;

10 Mar 2023 **Pretoria (South Africa) Times**. Tshwane mayor **Murunwa Makwarela** resigns after only ten days amid a scandal involving his undeclared insolvency order and allegations he forged a court order;

8 Mar 2023 **Johannesburg (South Africa) News24**. The **National Union of Metalworkers of South Africa (NUMSA)** moves to strip **South African Federation of Trade Unions (SAFTU)**

²¹News24, 20 Mar 2023

²² News24, 20 Mar 2023

general secretary **Zwelinzima Vavi** of his membership which will threaten Vavi's position as SAFTU secretary general as it is predicated on his NUMSA membership;

7 Mar 2023 **Johannesburg (South Africa)** *Business Day*. Greenhouse gas reduction programme **Green Connection** alleges in a complaint filed with the forestry, fisheries and environment department that environmental assessment practitioner **Triplo4** failed to comply with environmental impact assessment regulations in conducting public participation processes regarding **Turkey**-based powership builder and operator **Karpowerships**;

5 Mar 2023 **Bloemfontein (South Africa)** *Daily Maverick*. Defendants in the ongoing **Nulane** corruption case before the **Bloemfontein** high court apply to have the case set aside due to lack of evidence, this poses a concern for the first high-profile state capture to reach trial;

4 Mar 2023 **Ekurhuleni (South Africa)** *News24*. Opposition **Democratic Alliance** leader **John Steenhuisen** formally launches his re-election campaign ahead of the party's federal congress on 1 and 2 April;

4 Mar 2023 **Cederberg (South Africa)** *News24*. A coalition consisting of the **Democratic Alliance** and the **Cederberg Eerste** party takes control of **Cederberg Municipality** after the **African National Congress (ANC)**-led coalition lost a motion of no confidence;

28 Feb 2023 **Pretoria (South Africa)** *IEC*. The **Independent Electoral Commission (IEC)** releases the political party funding disclosure report for the third quarter (Q3) of the financial year raising concerns over party independence;

28 Feb 2023 **Pretoria (South Africa)** *Daily Maverick*. **Congress of the People (COPE)** councillor **Murunwa Makwarela** is elected as the new mayor of **Tshwane** after members of the **Democratic Alliance**-led coalition defect during the secret ballot;

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