

## AFRICA RISK CONSULTING

### South Africa Monthly Briefing April 2025

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#### South Africa Summary 29 April 2025

*South Africa's budget saga continues to dominate domestic political developments, fuelling tensions within the ruling Government of National Unity (GNU) coalition. Finance minister Enoch Godongwana cancels plans to implement a value-added tax (VAT) increase. This is despite Parliament passing the Fiscal Framework earlier in the month, over the opposition of the second-largest GNU member, the Democratic Alliance (DA). Godongwana warns that this measure has resulted in a R75 billion (\$4.04 billion) revenue shortfall. President Cyril Ramaphosa (2018-present) makes efforts to ease South Africa's tense relations with the United States (US). This includes appointing a new special envoy and holding a phone call with US President Donald Trump (2017-2021; 2025-present). This is needed, especially if South Africa is to engage with the US on its protectionist trade policies.*

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#### Budget showdown tests stability of governing coalition

South Africa's politics over the past three months has been dominated by the dispute over the 2025/26 national budget. Specifically, a lack of consensus over a planned 0.5 percentage point increase in the country's value-added tax (VAT) rate.

This dispute first emerged publicly on 19 February when finance minister **Enoch Godongwana** was forced to postpone the annual budget speech after it became clear that his planned two percentage point VAT increase lacked support from within the **Government of National Unity (GNU)** ruling coalition (see *ARC Briefing South Africa Feb 2025*). The **Democratic Alliance (DA)** – the second-largest party in the GNU – led this opposition to the VAT increase with the support of other parties, including the **Patriotic Alliance (PA)** and **Vryheidsfront Plus (VF Plus)**.

Godongwana tabled the budget again on 12 March after revising the proposed VAT increase down to half a percentage point; however, the DA and VF Plus maintained their opposition, stating that they would not accept any VAT increase (see *ARC Briefing South Africa Mar 2025*). The finance minister and the **African National Congress (ANC)** – the largest party in the GNU – tabled the budget in the belief that a consensus would be reached before the first budget vote on 2 April. Failing that, the ANC believed it could secure support from opposition parties to pass the **Fiscal Framework** – the first bill required to be passed under South Africa's budget process.

Matters came to a head on 1 and 2 April, when the Fiscal Framework was passed first by the finance committee and then by Parliament despite the DA's opposition.<sup>1</sup> The ANC managed to unify most of the GNU's member parties and convince the smaller opposition parties **ActionSA** and **Build One South Africa (BOSA)** to support the Fiscal Framework. ActionSA claimed that it lent support to the bill on condition that Godongwana scrap the VAT increase before the next budget bills were passed.<sup>2</sup>

The debate surrounding the Fiscal Framework highlighted the clear tensions and disagreements between the DA and most of the GNU member parties. Its opposition to the budget led to calls within the coalition and the ANC to eject the DA from the GNU.<sup>3</sup> The DA's position became more untenable after it approached the **Western Cape High Court** to set aside the Fiscal Framework and prevent the VAT increase.<sup>4</sup> Notably, the DA's challenge was joined by the **Economic Freedom Fighters (EFF)**,

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<sup>1</sup> Daily Maverick, 2 Apr 2025

<sup>2</sup> ActionSA, 1 Apr 2025

<sup>3</sup> News24, 3 Apr 2025

<sup>4</sup> EWN, 4 Apr 2025

marking a rare moment of these two parties being on the same side of an issue. The DA and EFF argued that the Fiscal Framework was passed without following the proper procedures and that the **VAT Act**, which grants the finance minister unilateral power to raise taxes, is unconstitutional. The decision to seek the court's intervention essentially placed the DA in the strange position of suing a government of which it is a member.

The following three weeks were marked by elevated political rhetoric between the DA and the ANC, raising concerns that the DA would soon be forced from the GNU. The party made it clear that it had no interest in resigning from the coalition despite its positions, essentially stating that President **Cyril Ramaphosa** (2018-present) would have to fire the DA cabinet ministers and tear up the GNU agreement if the ANC wanted to be rid of the DA.

However, Godongwana announced on 24 April that the government would cancel the proposed VAT increase.<sup>5</sup> Godongwana reached this conclusion after the High Court began hearing the DA/EFF challenge and it became evident that there was a strong possibility that he would lose the case.<sup>6</sup> In addition, there was still no guarantee that the government could be sure of a parliamentary majority for the rest of the budget if the VAT hike came into effect on 1 May as scheduled. This would have endangered the passage of the **Division of Revenue Bill** and the **Appropriations Bill**.

Godongwana's instincts were correct, as the High Court ruled in the DA and EFF's favour on 27 April, setting aside Parliament's resolution to accept the Fiscal Framework.<sup>7</sup> Godongwana's decision to withdraw the VAT bill before the High Court ruled on the matter has presented an opportunity for the GNU to ease its internal tensions. The DA and ANC have both claimed victory in this matter. The DA cited its steadfast opposition to any VAT increase, while the ANC claimed that Godongwana withdrew the bill after lobbying by the party itself.

Ironically, Godongwana is likely grateful for the DA's court case now, as the court ruling has halted the VAT increase from coming into effect. It was unlikely that Godongwana and Parliament could have implemented the necessary actions to halt the tax increase by 1 May without a court order.

### Lessons learned

Both the ANC and the DA appear to have internalised valuable lessons from the saga surrounding the VAT. The ANC has finally had to come to terms with the fact that it is no longer a majority party and needs to rely on other parties to pass legislation. The finance minister can no longer only unveil the budget to the cabinet at the last minute, and a consensus needs to be reached on matters before the government tables a bill in the **National Assembly**.

For its part, the DA has realised the limits of its power within the GNU. The party's rhetoric since June 2024 has indicated that it views the GNU as a shareholding enterprise; that since it has 87 of the 287 seats controlled by the GNU, it should have a 30% say in all matters. However, this is a misunderstanding of the nature of coalition governance, especially a multi-party coalition of rivals such as the GNU. In reality, its GNU members' relative power is measured by the extent to which it is required to secure the 201-seat majority in the National Assembly. As such, the DA actually brings between 1 and 42 seats to each vote, depending on how the rest of the GNU members vote. This was why the ANC was able to pass the Fiscal Framework with the assistance of much smaller parties such as ActionSA and BOSA, which have a combined eight seats in the National Assembly.

However, the fact that the GNU has survived this dispute underscores the commitment of its member parties to the coalition and the sincere desire to make it work. This is, in part, due to the external pressure from South Africa's development partners and private sector, as well as Ramaphosa's realisation that the EFF and **uMkhonto weSizwe Party (MKP)** would be much more difficult to work with.

<sup>5</sup> Daily Maverick, 24 Apr 2025

<sup>6</sup> News24, 22 Apr 2025

<sup>7</sup> News24, 28 Apr 2025

However, tensions within the GNU persist, and it will be tested by the upcoming votes on the Fiscal Framework (again), Division of Revenue Bill, and Appropriations Bill. If the DA still refuses to support these bills despite the scrapping of the VAT hike, it would be difficult to see how that party can remain in the GNU.

Godongwana has warned that scrapping the VAT increase will result in a revenue shortfall of at least R75 billion (\$4.04 billion), which will need to be addressed via cuts to expenditure.<sup>8</sup> It is most likely that these cuts will be to social spending, such as reducing the planned grant increases.

South African consumers are under fiscal strain, and as such, any increase in the cost of consumer goods would likely result in a decline in consumer spending, which would have mitigated some of the revenue generated by the VAT increase.<sup>9</sup> Suppressed consumer activity would have contributed to reduced economic activity, which would have undermined the government's aim to bolster economic growth. Godongwana will need to rework his budget once more; this will be a difficult task given South Africa's steep economic and fiscal challenges.

### Ramaphosa moves to improve relations with the United States ...

The showdown over the budget may have dominated South Africa's domestic developments, but the country's relationship with the **United States (US)** remains a dominant feature of its international relations. However, Ramaphosa has taken steps to ease this relationship.

Most notably, Ramaphosa appointed former deputy finance minister **Mcebisi Jonas** as the new special envoy to the US on 14 April.<sup>10</sup> Officially, Jonas has been tasked with engaging with US government officials and business leaders to promote South Africa's agenda. In reality, he will act as a de facto ambassador and is tasked with soothing South Africa-US relations, which have been strained in recent months. Jonas' appointment was presaged by the US declaring South Africa's ambassador to the US, **Ebrahim Rassool**, persona non grata on 15 March and ordering him to leave (*see ARC Briefing South Africa Mar 2025*). Rassool was expelled over critical comments he had made about US president **Donald Trump** (2017-2021; 2025-present) in a recent webinar.

Although Jonas has previously also publicly criticised Trump, those comments were in 2020 before Trump was re-elected. Jonas has a reputation as an honest and thoughtful politician. He is also not considered to be likely to engage in any public spats or condemnations if they can be avoided. Furthermore, as a former deputy finance minister, he has an established network in **Washington, D.C.**, especially within the **World Bank** and **International Monetary Fund (IMF)** circles.

It was revealed on 27 April that Ramaphosa had spoken to Trump on the phone in a conversation that was believed to be cordial. This is a significant development as Trump had ignored South Africa's previous overtures for communication.<sup>11</sup> According to Ramaphosa, the two leaders have agreed to meet to discuss the strained ties between South Africa and the US.<sup>12</sup> Although no date has been set, this is a significant step towards mending relations. However, South Africa and the US still have several irreconcilable points of difference, namely, South Africa's genocide case against **Israel** at the **International Court of Justice (ICJ)** and the country's domestic transformation policies, which are anathema to the Trump administration.

### ... as the US imposes tariffs

Ramaphosa will be eager to meet with Trump before July in an effort to convince him not to re-impose the steep tariffs he announced on 2 April. Trump announced his so-called 'Liberation Day' tariffs

<sup>8</sup> Moneyweb, 24 Apr 2025

<sup>9</sup> SABC, 7 Feb 2025

<sup>10</sup> The Presidency, 14 Apr 2025

<sup>11</sup> News24, 18 Mar 2025

<sup>12</sup> AP, 24 Apr 2025

targeting nearly every US trade partner but suspended them for 90 days before they fully came into effect on 9 April.<sup>13</sup>

Under the initial 2 April tariff schedule, South African exports to the US were set to be hit with a 30% tariff. This was a function of the formula the US government used to work out these tariffs, which was aimed at eliminating US trade deficits. South Africa maintains a trade surplus with the US as the country exports high-value goods such as platinum, manganese and vehicle parts to the US, but lacks a sufficiently wealthy population to import a similar value of US goods. Notably, critical minerals such as platinum group metals and manganese were excluded from these tariffs.

When the US government suspended these tariffs, it replaced them with a flat 10% tariff, which will have a negative impact on South Africa's exports to the US. The agricultural and automotive manufacturing sectors are expected to be the hardest hit, as these sectors are among the largest non-mining exporters to the US.

The US is not expected to re-introduce the 30% tariff on South African goods; however, this development has increased expectations that the US will not renew its **African Growth and Opportunity Act (AGOA)** programme in September. This will have a negative economic impact on South Africa, as most of its non-mineral exports to the US take place under AGOA.

## Planner

22-23 Nov 2025 **Johannesburg (South Africa) G20 Leaders' Summit**

## Chronology

28 Apr 2025 **Johannesburg (South Africa) ENCA**. The **Border Management Authority (BMA)** reveals that it arrested over 6,000 people over the Easter long weekend (18-21 April) for attempting to illegally enter and exit the country;

28 Apr 2025 **Goma (DRC) Business Day**. South African soldiers deployed in the **Democratic Republic of the Congo (DRC)** begin to withdraw with their equipment;

27 Apr 2025 **Cape Town (South Africa) EWN**. Almost 200 homes are evacuated due to a wildfire in the southern areas of Cape Town;

25 Apr 2025 **Johannesburg (South Africa) EWN**. State-owned power utility **Eskom** implements Stage 2 loadshedding in response to unexpectedly high electricity demand;

24 Apr 2025 **Pretoria (South Africa) EWN**. The **Electoral Commission of South Africa (IEC)** begins a six-month public consultation period on the possibility of introducing electronic voting;

24 Apr 2025 **Johannesburg (South Africa) EWN**. President **Cyril Ramaphosa** nominates four candidates for the vacant deputy chief justice position;

24 Apr 2025 **Pretoria (Johannesburg) Daily Maverick**. President **Cyril Ramaphosa** hosts his **Ukrainian** counterpart, President **Volodymyr Zelensky**, for a bilateral meeting;

23 Apr 2025 **Johannesburg (South Africa) Reuters**. **Statistics South Africa (StatsSA)** reveals that consumer price inflation fell to 2.7% in March from 3.2% in February, the lowest level in five years;

23 Apr 2025 **Pretoria (South Africa) The Presidency**. President **Cyril Ramaphosa** conducts a working visit to **Lesotho** and holds meetings with Basotho prime minister **Sam Matekane**;

<sup>13</sup> The Guardian, 9 Apr 2025

23 Apr 2025 **Pretoria (South Africa)** *News24*. The IEC announces that over R335m (\$18.07m) will be disbursed amongst political parties which are represented in **Parliament** or the provincial legislatures;

23 Apr 2025 **Bloemfontein (South Africa)** *News24*. The high-profile **Free State** asbestos corruption trial involving former **African National Congress (ANC)** secretary-general **Ace Magashule** is postponed once again after one of the accused files a challenge to her arrest and extradition from the **United States**;

22 Apr 2025 **Kimberley (South Africa)** *EWN*. **Northern Cape** premier **Zamani Saul** is re-elected as the provincial chairperson of the ruling **African National Congress (ANC)** in the Northern Cape for a third consecutive term;

16 Apr 2025 **Cape Town (South Africa)** *News24*. **Mongi Titi**, a senior figure in the **South African National Taxi Council (Santaco)**, is killed in a suspected assassination in Cape Town amid escalating taxi violence in the country;

16 Apr 2025 **Durban (South Africa)** *SABC*. The **uMkhonto weSizwe Party (MKP)** secures an upset victory in the Ward 111 by-election in **eThekweni** municipality (**Durban**), winning the ward from the **Democratic Alliance (DA)**;

15 Apr 2025 **Gqeberha (South Africa)** *Reuters*. Law enforcement officers rescue a kidnapped **United States** national on the outskirts of Gqeberha five days after he was taken hostage;

15 Apr 2025 **Pretoria (South Africa)** *News24*. International relations minister **Ronald Lamola** confirms that he has ordered **Taiwan** to relocate its liaison office from Pretoria to **Johannesburg**;

13 Apr 2025 **Johannesburg (South Africa)** *News24*. The mayor of the **Mohokare Local Municipality** in the **Free State** province, **Zingiza Mgawuli**, is forced to resign after audio recordings of her discussing receiving a kickback are leaked;

9 Apr 2025 **Johannesburg (South Africa)** *Mail & Guardian*. Agriculture officials confirm that the government of **Botswana** has lifted its import ban on vegetables from South Africa;

6 Apr 2025 **Johannesburg (South Africa)** *EWN*. The **South African Communist Party (SACP)** confirms its intention to contest the 2026 local government elections;

2 Apr 2025 **Johannesburg (South Africa)** *Daily Maverick*. The **Patriotic Alliance (PA)** wins the Ward 82 by-election in Johannesburg, winning the ward from the **Democratic Alliance (DA)**;

1 Apr 2025 **Johannesburg (South Africa)** *Daily Maverick*. Electricity and energy minister **Kgosientsho Ramokgopa** unveils his department's **Independent Transmission Programme (ITP)**, marking a major step towards private sector participation in the electricity transmission sector;

31 Mar 2025 **Johannesburg (South Africa)** *Reuters*. Environment minister **Dion George** grants state-owned power utility **Eskom's** coal power plants limited exemptions from air quality laws and harmful emissions reduction regulations.

### About Africa Risk Consulting:

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