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The South African Communist Party (SACP) tells the ruling African National Congress (ANC) party that it is considering leaving the ruling tripartite or revolutionary alliance, which also includes the Congress of South African Trade Unions (Cosatu), and will vote on the issue at its conference in July. The Constitutional Court rules that the South African Social Security Agency (SASSA) can extend its contract with the provider of payments for its grants, just two weeks before it was due to expire. SASSA officials and social development minister Bathabile Dlamini had failed to find another provider, despite a court ruling that the contract should not continue in 2014. Johannesburg Stock Exchange (JSE)-listed Northam Platinum acquires the Eland platinum mine from Switzerland-based Glencore for just \$14m.

SACP considers leaving tripartite alliance

The **South African Communist Party (SACP)** reportedly told the ruling **African National Congress (ANC)** party that it is considering leaving the ruling tripartite or revolutionary alliance, which also includes the **Congress of South African Trade Unions (Cosatu)**, during a meeting on 13 March.¹ The collapse of the tripartite alliance would be the most significant change in the governing structures of **South Africa** since the end of apartheid. The three organisations provide the executive, and campaign together under a broad ANC banner. However, the SACP retains a significant following due to its role in the struggle against apartheid. SACP deputy president **Solly Mapaila** told the media on 12 March that, unless the ANC radically alters its stance on corruption, the SACP would take to its members a motion to leave the alliance.² Mapaila was outspoken on the prospect of the SACP leaving the alliance:

“We think [the fact that] we will stand on our own is almost a fait accompli, at least from how I read the situation. But the [SACP] congress still has to decide.”³

The SACP politburo met the ANC’s national executive committee (NEC) on 13 March in a closed door meeting to discuss the ongoing corruption scandals within the ANC.⁴ These include the ongoing influence of the **Gupta** family in the administration of president **Jacob Zuma** (2009-present) (see *ARC Briefing South Africa August 2015 – February 2017*). The SACP and ANC released a joint statement after the meeting saying that the meeting “went well”⁵ and would continue in two weeks’ time.

According to those familiar with the dynamics within the ANC and SACP, much will depend on who wins the role of ANC president at the national conference in December.⁶ The SACP backs deputy president **Cyril Ramaphosa** over **Nkosazana Dlamini-Zuma**, the president’s ex-wife and favoured successor.⁷ If the latter wins in December then it is highly likely that the SACP will vote to leave the

¹ Daily Maverick, 15 Mar 2017.

² City Press, 12 Mar 2017.

³ City Press, 12 Mar 2017.

⁴ Daily Maverick, 15 Mar 2017.

⁵ Daily Maverick, 15 Mar 2017.

⁶ Daily Maverick, 15 Mar 2017.

⁷ Daily Maverick, 15 Mar 2017.

alliance, leaving the ANC to fight the 2019 elections without them.⁸ However, the SACP may put a vote to their annual conference in July, pre-empting this.⁹

“The ANC does not believe that the SACP would ever leave the alliance, they think that they will come back into the fold. However, there is real anger within the SACP against Zuma.”¹⁰

A split with the alliance would lead to the resignation of SACP ministers. These are higher education minister **Blade Nzimande**, trade and industry minister **Rob Davies**, minister in the presidency **Jeff Radebe**, agriculture minister **Senzeni Zokwana**, and water minister **Nomvula Mokonyane**.¹¹ It would also threaten a major split in the ANC’s voter base, significantly altering the dynamics of the election landscape and increasing the possibility that the ANC would lose a majority in 2019.¹²

“The withdrawal of the SACP from the tripartite alliance would be one of the most significant shifts in South Africa’s political landscape for the last 20 years. They don’t appear in the polls because they pass their voter power to the ANC, but if they went independent they would provide a credible left wing alternative to the ANC, led by some of the most important figures in government.”¹³

The public statement by Mapaila is a warning shot. The SACP is telling the ANC not to take its continued support for granted. In the internal dynamics of the alliance, the SACP sides with ANC secretary general **Gwede Mantashe** as a bloc that seeks to retain the left wing characteristics of the party, while moving away from the patronage and corruption of the Zuma administration. Zuma has effectively hamstrung Mantashe by cutting the ANC party leadership out of major decisions. He has also refused to respond to both public and private SACP demands to take action against corruption in his administration.

Several years ago it was totally inconceivable that the SACP would leave the alliance. The SACP is taking a major risk by doing so. If it fails to capture the attention of the public, it risks going the way of other ANC splinters such as the **Congress of the People (Cope)** – which involved senior ANC figures but has never performed well in elections. The fact that the SACP is considering taking this risky course of action reveals how deep and acrimonious the splits within the administration are. If it succeeds in transferring its support amongst ANC supporters into votes, however, the SACP will be a threat to the ANC’s majority. If the 2015 municipal elections are a guideline for voter tendencies then the ANC would need to lose just 5% of the vote in order to be forced into a coalition government in 2019.

Constitutional Court prevents SASSA grants collapse

The **Constitutional Court** ruled on 17 March that the **South African Social Security Agency (SASSA)** could extend its contract with the provider of payments for its grants, just two weeks before it was due to expire.¹⁴ SASSA officials and social development minister **Bathabile Dlamini** had failed to find another provider, despite a court ruling that the contract should not continue.¹⁵ SASSA’s actions, which led to the ruling, demonstrate the dangers of president Zuma’s political appointments, and the culture of blame-shifting within government and state-owned enterprises (SOEs).

“The SASSA scandal is far from unique, but when it relates to social security payments and not, for example, oil refinery contracts people are unable to ignore it... this has definitely hurt the ANC.”¹⁶

⁸ Daily Maverick, 15 Mar 2017.

⁹ Daily Maverick, 15 Mar 2017.

¹⁰ Source, news editor, Johannesburg

¹¹ City Press, 12 Mar 2017.

¹² Daily Maverick, 15 Mar 2017.

¹³ Source, political analyst, Pretoria

¹⁴ Business Live, 17 Mar 2017.

¹⁵ Business Live, 17 Mar 2017.

¹⁶ Source, political analyst, Pretoria

SASSA officials admitted to parliament on 28 February that SASSA did not have the means to disburse grants to over 17 million people in South Africa after the expiration of a contract with **Cash Paymaster Services (CPS)** at the end of March.¹⁷ The Constitutional Court ruled in 2014 that a contract between SASSA and CPS, which handles social security payment distribution, was null and void due to “*irregular conduct*”.¹⁸ In his ruling Judge **Johan Froneman** made it clear that this was due to poor administrative tendering processes within SASSA, rather than bribery on behalf of CPS.¹⁹ Froneman extended the contract period for three years until the end of March 2017, to give SASSA time to put alternative arrangements in place.²⁰ The Constitutional Court has now extended CPS’ contract for a further 12 months until March 2018 to ensure that SASSA can pay its grants.²¹ The ruling comes with strict conditions for CPS, including making the finance ministry responsible for overseeing the contract, and a bar from winning the tender again.²²

According to CPS, SASSA only approached it to put alternative arrangements in place on 11 February this year.²³ Officials at the social development department, which is responsible for SASSA, say that they started the transitional process in October 2016.²⁴ Dlamini, an ally of president Zuma, personally appointed advisers to oversee the process who lacked experience in the field and have allegedly yet to come up with any plan other than extending the CPS contract.²⁵ SASSA went to the Constitutional Court on 24 February with an emergency application to extend the CPS contract.²⁶ While the court found in SASSA’s favour, the judges were exceptionally critical of how the agency and Dlamini had handled the situation. Chief justice **Mogoeng Mogoeng** accused Dlamini of “*absolute incompetence*”²⁷ after she claimed she did not know why the agency had failed to renew the contract, and could not explain why she did not intervene sooner.

The ruling attacks Dlamini personally. It rules that she deliberately misled parliament on the issue, and failed to attend two statutory hearings.²⁸ The ruling also found that Dlamini had held up the process by favouring her irregularly appointed board of advisers over the advice of SASSA officials.²⁹ This delayed the tender by at least six months. The court has, therefore, asked Dlamini to justify why she should not be personally liable for the full costs of the hearing.³⁰

“This is a highly aggressive ruling by the Constitutional Court...the judiciary has seen the Zuma administration ignore multiple rulings, so is making them harder to ignore by personally going after ministerial failings.”³¹

The ruling has increased pressure on Zuma to ask Dlamini to resign.³² However, Zuma has placed himself at the head of a parliamentary committee to investigate the grants scandal, which sources interpret as a show of support for her:

“Zuma does not throw his loyal soldiers under the bus unless he has no other option. It does not matter how staggeringly incompetent they have been, he will show loyalty to them...this is part of the way he retains power.”³³

¹⁷ Business Day, 27 Feb 2017.

¹⁸ Daily Maverick, 1 Mar 2017.

¹⁹ Daily Maverick, 1 Mar 2017.

²⁰ Daily Maverick, 1 Mar 2017.

²¹ Business Day, 17 Mar 2017.

²² Business Day, 17 Mar 2017.

²³ Daily Maverick, 1 Mar 2017.

²⁴ Business Day, 27 Feb 2017.

²⁵ Business Day, 27 Feb 2017.

²⁶ Business Day, 27 Feb 2017.

²⁷ Rand Daily Mail, 15 Mar 2017.

²⁸ Business Day, 17 Mar 2017.

²⁹ Rand Daily Mail, 15 Mar 2017.

³⁰ Business Day, 17 Mar 2017.

³¹ Source, political analyst, Pretoria

³² Business Day, 17 Mar 2017.

Zuma will do everything in his power to make sure that Dlamini does not resign. It is a demonstration to his allies that he retains the power to ignore public opinion, parliament and the courts – that the network of patronage remains safe from attack. Dlamini has released a number of statements of contrition following the ruling, but has made no moves to resign. She will also fight the court ruling that she should personally pay costs. While the grants crisis is currently averted, if Dlamini stays, there is no guarantee that either SASSA or the social security department will be able to sort out an effective tender process. The wider impact, however, will be to the reputation of the ANC. Its core rural voter base are recipients of SASSA grants, and the threat to the social security lifeline was real. Zuma has the power to make sure Dlamini stays, but it may cost his party much needed votes in 2019.

Northam acquires Glencore platinum mine

Johannesburg Stock Exchange (JSE)-listed **Northam Platinum** announced on 25 February that it would acquire the **Eland** platinum mine from **Switzerland**-based **Glencore** for just \$14m.³⁴ South Africa's platinum assets are undervalued due to the low price of the metal, and following a five-month long strike that brought the sector to standstill in 2014 and 2015. Northam agreed to purchase all assets of the mine in **North West Province**, which Glencore closed in 2015 due to the low price of platinum.³⁵ This includes two mining rights, surface and underground infrastructure and a fleet of vehicles.³⁶ The price of the sale is very low. Former mining house **Xstrata** purchased the mine in 2007 for \$1 billion, and Glencore inherited the mine when it merged with Xstrata in 2011.³⁷

"This is effectively a give-away – Glencore are writing down all of their costs on the mine to get out of platinum in South Africa."³⁸

The mine has major reserves of platinum which Glencore currently estimates to be 21.3m ounces, a current value of \$21 billion.³⁹ The price of platinum has fallen over the past five years from highs of \$1,714/oz in 2012 to \$1,002/oz at time of writing.⁴⁰ Northam will also pay Glencore care and maintenance costs until the deal closes, an estimated value of \$2.3m per annum.⁴¹ As part of the deal, Northam will sell all chrome produced at its platinum group metal **Zondereinde** and **Booyendal** operations to Glencore, which is a major chrome distributor.⁴² According to a mining analyst:

"What we see here is an evolution of the mining sector – where smaller companies with specialist operations can buy assets cheaply, and the major players use their large selling power to offer their services as a channel to market."⁴³

The commodities downturn has hurt South Africa's economy, but it has also created the conditions for smaller mining companies to buy up smaller assets at cheap prices. Intelligent executives are taking advantage of this to leverage better positions within the sector, primarily at the expense of larger mining companies. In the medium term this may benefit the South African economy and mining sector.

³³ Source, political analyst, Pretoria

³⁴ Moneyweb, 25 Feb 2017.

³⁵ MiningMX, 25 Feb 2017.

³⁶ Moneyweb, 25 Feb 2017.

³⁷ MiningMX, 25 Feb 2017.

³⁸ Source, mining analyst, Johannesburg

³⁹ Bullionbypost.co.uk

⁴⁰ Bullionbypost.co.uk

⁴¹ Moneyweb, 25 Feb 2017.

⁴² Moneyweb, 25 Feb 2017.

⁴³ Source, mining analyst, Johannesburg

About Africa Risk Consulting:

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