

## AFRICA RISK CONSULTING

### South Africa Monthly Briefing September 2015

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#### South Africa Summary 24 September 2015

*President Jacob Zuma (2009-present) appoints little known Free State MP Mosebenzi Zwane as mining minister, replacing Ngoako Ramatlhodi. Zwane has no prior experience in the mining sector and is reportedly close to the Gupta family, key Zuma backers. Zwelinzima Vavi and the National Union of Metalworkers of SA (Numsa) form a 'Coalition against Corruption' with the support of over 200 civil society and religious bodies. The coalition's purpose is to build support for a 'workers summit' in October to form an independent labour congress. The South African Reserve Bank (SARB) condemns the new visa regulations in its quarterly statistical bulletin. It adds to the growing evidence that the regulations are causing significant damage to South Africa's tourism sector.*

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#### Zuma changes mining minister weeks before NGC

President **Jacob Zuma** (2009-present) appointed little known **Free State** MP **Mosebenzi Zwane** as mining minister on 22 September, replacing **Ngoako Ramatlhodi**.<sup>1</sup> Replacing Ramatlhodi with an unknown and inexperienced figure from an under-represented province demonstrates Zuma prioritising politics over policy delivery. It comes shortly before the ruling **African National Congress' (ANC)** national general council (NGC) which will take place from 15 to 17 October.<sup>2</sup> The NGC is one of the last prior to the 2017 **lekgotla** (national conference) which will decide the new ANC president. Zuma did not dismiss Ramatlhodi, a key ally with a chequered past as premier of **Limpopo** province, but moved him to the public service and administration portfolio.<sup>3</sup> The position has been vacant since **Collins Chabane** died in office in late 2014.<sup>4</sup>

Zwane has limited ministerial experience. He served in the Free State cabinet in a variety of positions including provincial minister for economic, small business development, tourism, and environmental affairs and, prior to that, agriculture.<sup>5</sup> The ANC moved him to the national assembly in late August (all MPs are elected at regional level and parties can move them between regional and national assemblies).<sup>6</sup>

Zwane reportedly has ties to the controversial **Gupta** family who are close to President Zuma. Zwane reportedly played a role in the private jet carrying guests for the wedding of a Gupta family member that landed at the military **Waterkloof Airforce Base** in 2013.<sup>7</sup> The incident was controversial as it demonstrated how the Gupta's links with Zuma granted them special privileges. Zwane also approved a large scale Free State dairy project linked to the Gupta's in 2013.<sup>8</sup> The national treasury investigated the project in 2014 and found \$57m in financial irregularities.<sup>9</sup> Sources within the Free State describe Zwane as:

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<sup>1</sup> Business Day, 23 Sep 2015.

<sup>2</sup> ANC website, 2015.

<sup>3</sup> Business Day, 23 Sep 2015.

<sup>4</sup> Business Day, 23 Sep 2015.

<sup>5</sup> Business Day, 23 Sep 2015.

<sup>6</sup> Mail and Guardian, 23 Sep 2015.

<sup>7</sup> News24, 24 Sep 2015.

<sup>8</sup> News24, 24 Sep 2015.

<sup>9</sup> News24, 24 Sep 2015.

*“mediocre...he often didn’t turn up to committee meetings and rarely addressed the assembly or answered questions.”<sup>10</sup>*

Zwane’s appointment will appease Free State politicians who often claim that they are under-represented in ANC and national government structures. It also follows the emergence of a factional group of provincial premiers – dubbed the *“premier league”* – from the Free State, **North West** and **Mpumalanga**.<sup>11</sup> Zwane is reportedly close to Free State premier **Ace Magashule** and could help mitigate their influence.<sup>12</sup>

The mining portfolio is key to South Africa’s economic future as negotiating the commodities downturn with mining companies will help prevent further economic instability. Ramatlhodi recently chaired negotiations with the mining sector and unions to form a ‘new deal’ agreement to reduce mine closures and strike action (see *ARC Briefing South Africa August 2015*). The next stage in the process, known as **Operation Phakisa**, will be a conference to decide on implementing the agreement, due to take place in October.<sup>13</sup> Mining companies are concerned that Zuma appointed Zwane over Ramatlhodi’s experienced deputy minister **Godfrey Oliphant**.<sup>14</sup> Zwane has just a few weeks to get up to speed on the portfolio prior to chairing the conference and sources in the mining industry are not convinced of his ability to do so:

*“It took two years to get Ramatlhodi on the same page as us, and now we have to start again with another minister who doesn’t know the industry...the ANC has asked us to trust them, stuff like this undermines that trust.”<sup>15</sup>*

Some sources believe that Zwane’s appointment is Zuma taking the mining portfolio under his direct control:

*“Zwane is a stooge for Zuma...perhaps number one [Zuma] felt that Ramatlhodi was getting too many independent ideas and needed another yes man...otherwise he could have appointed Zwane to public administration and kept the Free State happy.”<sup>16</sup>*

There is some speculation that Zwane’s appointment may be connected with a row between Ramatlhodi and **Bridgette Radebe**, wife of presidency minister **Jeff Radebe**, sister-in-law of deputy president **Cyril Ramaphosa**, and sister of black economic empowerment (BEE) and mining magnate **Patrice Motsepe**.<sup>17</sup> Bridgette Radebe was a 26% BEE partner in two **Total Coal South Africa (TCSA)** collieries. Ramatlhodi denied her request to have her BEE stake transferred when **Exxaro Resources** purchased the mines, in favour of Exxaro creating a broader-based BEE company involving staff pension funds.<sup>18</sup> Local media sources allege that Radebe used her influence to have Ramatlhodi moved out of the portfolio.<sup>19</sup>

### **Vavi and Numsa move to create new labour congress via anti-corruption movement**

Former **Congress of South African Trade Unions (COSATU)** president **Zwelinzima Vavi** and the **National Union of Metalworkers of SA (Numsa)** have formed a ‘Coalition against Corruption’ and will hold a ‘workers summit’ in October to form an independent labour congress.<sup>20</sup> These are the latest steps in Vavi’s and Numsa’s work to form a labour-based opposition to the ANC and COSATU. Vavi and Numsa lost a vote to rejoin COSATU at its meeting in July (see *ARC Briefing South Africa July*

<sup>10</sup> Source, opposition politician, Free State

<sup>11</sup> Mail and Guardian, 23 Sep 2015.

<sup>12</sup> News24, 24 Sep 2015.

<sup>13</sup> Fin24, 8 Sep 2015.

<sup>14</sup> Business Day, 23 Sep 2015.

<sup>15</sup> Source, mining executive, Johannesburg

<sup>16</sup> Source, mining journalist, Cape Town

<sup>17</sup> Independent, 13 Sep 2015

<sup>18</sup> Independent, 13 Sep 2015

<sup>19</sup> Daily Maverick, 24 Sep 2015

<sup>20</sup> Mail and Guardian, 18 Sep 2015.

2015). The formation of a COSATU alternative is their next move and has the potential to permanently reshape the map of South African labour movements.

*“Everything Vavi does with Numsa is about getting their new labour movement up and running...they face opposition from COSATU, the ANC and from lots of Numsa activists who believe the union should be concentrating more on workers’ problems than politics.”<sup>21</sup>*

The Coalition against Corruption has gathered over 200 organisations from anti-corruption lobbyists **Corruption Watch** to church and community groups. It will march to the **Union Buildings**, the official seat of government in **Pretoria**, on 30 September.<sup>22</sup> The march is primarily a protest against graft and corruption in the public sector which affects service delivery and has cost the public purse an estimated \$800m since 1994.<sup>23</sup> However Vavi, who has positioned himself as the public face of the movement, is working with Numsa to use it as a platform to launch a new labour coalition, the **United Front** party. The Coalition against Corruption is reminiscent of the broad coalitions that formed the original United Front as a movement against apartheid.<sup>24</sup>

*“Vavi always manages to land on his feet...now as a preacher against the evils of corruption – it will be hard for COSATU or the ANC to criticise him now and he can use the coalition to advance the workers party.”<sup>25</sup>*

Trade unions and labour organisers first met to discuss the formation of an independent labour congress at Vavi’s invitation on 8 September.<sup>26</sup> They agreed to hold a ‘Workers Summit’ in October to form this officially.<sup>27</sup> The meeting was ostensibly to suggest how to stop the fragmentation of unions, which started with the expulsion of Numsa from COSATU in November 2014.<sup>28</sup>

*“There has never been serious competition to COSATU but Vavi and Numsa are trying to gather the support to take them on...they [COSATU] have never been weaker and more fragmented.”<sup>29</sup>*

Notable attendees and supporters of the Coalition against Corruption were the **Federation of Unions of SA (Fedusa)**, the **National Council of Trade Unions (Nactu)**, skilled workers’ union **Solidarity** and other non-aligned unions.<sup>30</sup> Both Fedusa president **Koos Bezuidenhout** and Nactu president **Joseph Maqhekeni** publicly supported the meeting and the new movement. However, they retain a note of caution – Bezuidenhout said that Fedusa was “not joining forces with anyone”.<sup>31</sup> The link between Numsa rival, the **Associated Mineworkers and Construction Union (Amcu)**, and Nactu complicates their relationship with Numsa.<sup>32</sup>

There are also questions over how many of Numsa’s ‘seven plus’ allies from its expulsion in November 2014 remain. The **Communication Workers Union (CWU)**, formerly Numsa’s largest ally, withdrew its support following the July congress.<sup>33</sup> The **Food and Allied Workers Union (Fawu)**, another large Numsa ally, is in the process of splitting over its support for Numsa. Fawu leaders have been in a series of court battles with each other since July.<sup>34</sup> However Fawu members appeared alongside Vavi

<sup>21</sup> Source, labour journalist, Johannesburg.

<sup>22</sup> Mail and Guardian, 18 Sep 2015.

<sup>23</sup> SABC, 19 Sep 2015.

<sup>24</sup> Daily Maverick, 22 Sep 2015.

<sup>25</sup> Source, political journalist, Pretoria.

<sup>26</sup> Business Day, 8 Sep 2015.

<sup>27</sup> Business Day, 8 Sep 2015.

<sup>28</sup> Mail and Guardian, 18 Sep 2015.

<sup>29</sup> Source, journalist, Johannesburg.

<sup>30</sup> Business Day, 8 Sep 2015.

<sup>31</sup> Mail and Guardian, 18 Sep 2015.

<sup>32</sup> Mail and Guardian, 18 Sep 2015.

<sup>33</sup> Eyewitness News, 22 Jul 2015.

<sup>34</sup> The Sowetan, 2 Sep 2015.

announcing the anti-corruption coalition.<sup>35</sup> This leaves only the smaller unions as firm affiliates of Numsa:

- **Democratic Nurses Organisation of South Africa (Denosa);**
- **South African Commercial Clothing and Allied Workers' Union (Saccawu); South African State and Allied Workers' Union (Sasawu);**
- **Public and Allied Workers Union of South Africa (Pawusa), and**
- **South African Football Players' Union (Safpu).**<sup>36</sup>

*"Any new labour congress is a long way off...it will take years to negotiate with all of the different players involved."*<sup>37</sup>

COSATU has attacked Numsa's plans to form a rival union, calling the 8 September summit a "flop".<sup>38</sup> COSATU-affiliated public sector unions, the **National Education Health and Allied Workers Union (Nehawu)** and **Police Prisons and Civil Rights Unions (Popcru)**, both issued statements urging workers to boycott the October summit.<sup>39</sup> However, COSATU has not publicly spoken against the coalition against corruption.

### SARB warns of effect of new visa regulations

The **South African Reserve Bank (SARB)** released data on 15 September showing the damage that new visa regulations have done to the economy.<sup>40</sup> The SARB rarely gives specific comments on political issues. The SARB noted that:

*"The new administrative requirements accordingly have the potential to affect the number of tourists intending to visit SA."*<sup>41</sup>

The SARB showed that the level of gross travel receipts had declined by 9% in the second quarter of 2015. Travel receipts are 95% tourist expenditure and 5% business expenditure.<sup>42</sup> Home affairs minister **Malusi Gigaba** said that the SARB's release was "just an opinion"<sup>43</sup> and maintained his line that "many other countries require the same documents".<sup>44</sup> Gigaba introduced the new regulations in April 2014 and May 2015, ostensibly to prevent child trafficking.<sup>45</sup> They came into force on 1 June and require all visitors to South Africa to travel to their nearest embassy in person and present extensive documentation in order to get a visa. No children are currently allowed into the country without an unabridged copy of their birth certificate.<sup>46</sup>

President Zuma conceded that there were concerns over the "unintended consequences" of the regulations on 12 August.<sup>47</sup> The public reprimand was a blow to Gigaba who publicly argued with tourism minister **Derek Hanekom** over the impact of the regulations in July.<sup>48</sup> The cabinet appointed deputy-president Cyril Ramaphosa to chair a commission involving government and the tourism

<sup>35</sup> Mail and Guardian, 18 Sep 2015.

<sup>36</sup> Times, 10 Nov 2014.

<sup>37</sup> Source, labour journalist, Johannesburg.

<sup>38</sup> Cosatu statement, 14 Sep 2015.

<sup>39</sup> Politics web, 9 Sep 2015.

<sup>40</sup> Business Day, 15 Sep 2015.

<sup>41</sup> SARB press release, 14 Sep 2015.

<sup>42</sup> SARB press release, 14 Sep 2015.

<sup>43</sup> Eyewitness News, 16 Sep 2015.

<sup>44</sup> Eyewitness News, 16 Sep 2015.

<sup>45</sup> Business Day, 15 Sep 2015.

<sup>46</sup> Business Day, 15 Sep 2015.

<sup>47</sup> Business Day, 9 Sep 2015.

<sup>48</sup> Reuters, 12 Aug 2015.

industry to resolve the situation.<sup>49</sup> The committee is due to report its investigation to the cabinet prior to publication of the report.<sup>50</sup>

*“Gigaba’s willingness to publicly argue with fact is him [pushed into] in a corner...he did not know he would be staking his career on this when he introduced the regulations and is now fighting for his position.”<sup>51</sup>*

The SARB’s figures add to a growing pool of evidence against the regulations, including:

- data that **Statistics SA** produced earlier in September that the country could have up to 100,000 fewer visitors in 2015;
- figures from the tourist industry data company **ForwardKeys** that arrivals declined 11% from June to August year-on-year compared to a 6.8% decline from January to August;<sup>52</sup>
- figures from the aviation sector showing a 26% decline in tourist travel revenues for June, July and August;<sup>53</sup> and
- a study by professional services firm **Grant Thornton**, commissioned by the **Tourism Business Council of SA**, which projects 100,000 fewer foreign visitors to South Africa in 2015, leading to 9,300 job losses and a total net loss to gross domestic product of about \$450m.<sup>54</sup>

The **Department of Home Affairs** released its own statistics in August claiming that tourist numbers had fallen within global parameters.<sup>55</sup> It argued that *“perceptions that the new requirements are impossible or impractical to enforce hold no water”*.<sup>56</sup> It cited year-on-year arrivals and departures for children to and from **Europe** and the **United States (US)** which increased year-on-year in July from 24,742 to 26,763 and from 16,641 to 17,144 respectively.<sup>57</sup> It also said that 98% of arrivals complied with the new regulations on arrival.<sup>58</sup> However, it has not released any counter-statistics since then.

## Implications

President Zuma’s appointment of an underqualified regional figure with ties to his financial backers is business as usual for his administration. Zwane fits the mold of many of Zuma’s other appointments – Ramatlhodi, Gigaba, and all directors of public prosecution, amongst others. He will owe Zuma loyalty and will allow the president to retain central influence over a key portfolio. The links to the Gupta’s confirm this and local sources have suggested the family’s move into the mining sector may follow in the coming months. Ramatlhodi appears to have broken the mold and organised the inclusive talks that resulted in the ‘new deal’ agreement. It appears that to Zuma this was a breach of loyalty, even if mining companies and unions alike praised the move as a step in the right direction. The mining sector is a crucial part of South Africa’s economy. It took Ramatlhodi over a year to start making positive changes. If Zwane is unable to continue this work South Africa may see more turbulence within the sector, which will further threaten its economic stability.

Zwelinzima Vavi, a political survivor, is now commanding public attention as the figurehead of attacks on corruption in the ANC, the public sector, and private companies. His focus is no accident – the failure to implement an ANC party resolution on corruption will be on the agenda at the upcoming NGC. Vavi may have a long way to go before forming a new labour union with Numsa, but he will remain an influential voice within South African politics. What is less certain, however, is how much

<sup>49</sup> Business Day, 9 Sep 2015.

<sup>50</sup> Eyewitness News, 16 Sep 2015.

<sup>51</sup> Source, political journalist, Johannesburg.

<sup>52</sup> Business Day, 23 Sep 2015.

<sup>53</sup> Business Day, 9 Sep 2015.

<sup>54</sup> Business Day, 23 Sep 2015.

<sup>55</sup> BizNews, 6 Aug 2015.

<sup>56</sup> BizNews, 6 Aug 2015.

<sup>57</sup> BizNews, 6 Aug 2015.

<sup>58</sup> BizNews, 6 Aug 2015.

he will throw his weight behind actually challenging corruption. This will take root and branch reform of public and private sector organisations, including the unions.

Cyril Ramaphosa's inter-ministerial committee on visa regulations is under pressure to balance the clear evidence that the regulations are damaging business and the president's desire to limit damage to Gigaba. Gigaba has been loyal to Zuma since his appointment as minister for public enterprises in 2009 and Zuma will resist attempts to discredit him. This means that a wholesale repeal of the regulations is unlikely. Investors and visitors will have to trust in Ramaphosa's ability to amend the regulations to mitigate their damage. Ramaphosa is positioning himself as a potential successor to Zuma and is also playing his own political game. The short-term risk to business – increased barriers to entry to the country and reduced income from tourism – remains.

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