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President Jacob Zuma (2009-present) fires technocrat finance minister Nhlanhla Nene, appoints little known backbencher, David van Rooyen, and then appoints veteran Pravin Gordhan following pressure from senior ANC figures. Fitch Ratings downgrades the country's sovereign credit rating to BBB-, as Standard & Poor (S&P) downgrade the South Africa's outlook from stable to negative. China and South Africa sign \$6.5 billion in infrastructure deals at the Forum on China and Africa Co-operation (FOCAC) in Johannesburg. Julius Malema presents the Economic Freedom Fighters (EFF) to the UK. UK business leaders show interest in the EFF's political agenda. The constitutional court rules the Tlokwe by-elections void, due to alleged electoral fraud. Hitachi is debarred from conducting business in South Africa until it meets African Development Bank (AfDB) standards, following a legal settlement over the Medupi power station tender contracts.

President Jacob Zuma fires finance minister Nhlanhla Nene

President **Jacob Zuma** (2009-present) fired finance minister **Nhlanhla Nene** on 9 December, sending South Africa's business community into shock and sending the rand plummeting to R16.05/\$1 on 11 December.¹ Zuma swore in Nene's first replacement, little known backbench MP, **David van Rooyen**, on 10 December.² However, a harsh response from within the ruling **African National Congress (ANC)** and from the capital markets forced the president to change course just four days later. Zuma re-appointed loyalist former finance minister **Pravin Gordhan** to the post on 13 December. Nene's sacking followed a **Fitch Ratings'** downgrade to BBB- on 4 December, which in turn increases the risk of South Africa ratings facing a further downgrade to 'junk investment' status. Gordhan's appointment calmed market fears and the rand appreciated to R15.06/\$1 on 14 December.³

Gordhan is an experienced technocrat and senior figure in the ANC. He was a competent finance minister from 2009-2014 and, as commissioner of the **South African Revenue Service (SARS)** from 1999-2009, developed South Africa's highly effective revenue collection system.⁴ However, he is also an arch Zuma loyalist and a former member of the ANC's military wing, **Umkhonto we Sizwe (MK)**, who helped Zuma run **Operation Vula** which smuggled MK fighters and weapons into the country.⁵ For all his experience, he is unlikely to check Zuma's power; as finance minister he oversaw some of Zuma's most profligate spending.⁶

Zuma's sudden move reverses the ANC's pattern in office of carefully preparing South Africa's and international markets for any succession at the treasury or at the **South African Reserve Bank (SARB)**. Nene's removal is in keeping with Zuma's pattern of firing dissenters, and curbing and co-opting ministries and state services that threaten him or his presidential authority, regardless of market sentiment. Since August, Nene had resisted a Zuma-brokered nuclear deal estimated to cost

¹ FT, 9 Dec 2015

² Business Day, 11 Dec 2015

³ XE.com

⁴ Business Day, 14 Dec 2015

⁵ Source, senior political source, London

⁶ Source, ANC insider, Johannesburg

the treasury between \$37-100 billion.⁷ More recently Nene rejected a proposed leasing deal between **South African Airways (SAA)** and **Airbus**, which required re-opening and restructuring a deal negotiated in 2002.⁸ Nene's and the treasury's blocking of the deal followed an **Ernst & Young** investigation into the SAA-Airbus deal, which revealed "*major irregularities including poor procurement practices*".⁹ Rejecting the deal placed Nene in direct opposition to Zuma's close associate and confidante, SAA chairperson **Dudu Myeni**.¹⁰

Zuma tried to put van Rooyen into the post as a loyal and obedient foot soldier. Unlike his predecessors, he had no apparent treasury experience. His most recent role was ANC whip on the parliamentary standing committee on finance¹¹ and he was a former mayor of **Merafong Municipality** in **Gauteng** province.¹² He will now take on Gordhan's former position as minister of cooperative governance.¹³

Van Rooyen's appointment was a bridge too far. The president came under sustained criticism for the decision over the weekend as the rand hovered at R15.8/\$1. According to sources, members of the influential 'top six' and of the ANC's **National Executive Committee (NEC)** threatened to hold an emergency NEC session of the kind that 'recalled' former president **Thabo Mbeki** (1999-2007). Senior figures including deputy president **Cyril Ramaphosa** and Zuma's key ally ANC treasurer general **Zweli Mkhize** visited the president to demand he reinstate Nene.¹⁴ Delegations from governing revolutionary alliance partners, the **Congress of South African Trade Unions (Cosatu)** and the **South African Community Party (SACP)**, also lobbied Zuma. On 13 December Zuma released a statement saying he was "*listening to the people*" and would appoint Gordhan. However, according to sources:

*"Players in the NEC including [secretary general **Gwede] Mantashe** and Cyril Ramaphosa, threatened to bring his government down."*¹⁵

Zuma reportedly offered Nene the position of finance minister back,¹⁶ however he refused and the president turned to Gordhan to step into the position.¹⁷

The incident provoked a greater reaction than any previous Zuma-era scandal, both in South Africa and in the international markets. The fierce independence of the treasury was established under the presidencies of **Nelson Mandela** (1994-1999) and Thabo Mbeki, and particularly under former finance minister **Trevor Manuel**. With this independence came a tradition of fiscal prudence. In keeping with this, Nene's treasury served as a check on wasteful spending by other government departments. He tried to cut SOEs' and departmental budgets in the February budget and in the October mid-term statement¹⁸ and to curb tender fraud. According to a senior business commentator, "*the scene is set for a total raid on the state coffers*".¹⁹

*"Zuma is circumventing and remaking the ANC before the next [national] conference [ANC Lekgotla 2017]. The premier league, ANC youth league and [communications minister] **Faith Muthambi**, [mining minister] **Mosebenzi Zwane** and now David van Rooyen are Zuma stooges*

⁷ Business Day, 24 Aug 2015

⁸ Mail & Guardian, 3 Dec 2015

⁹ Business Day, 19 Nov 2015

¹⁰ News 24, 10 Dec 2015

¹¹ People's Assembly 10 Dec 2015

¹² News 24, 10 Dec 2015

¹³ Business Day, 19 Dec 2015

¹⁴ Business Day, 19 Dec 2015

¹⁵ Source, ANC insider, Johannesburg

¹⁶ Business Day, 22 Dec 2015

¹⁷ Business Day, 22 Dec 2015

¹⁸ See ARC Briefing South Africa October and February 2015

¹⁹ Source, senior business commentator, London

who will purge the party of communists and remove anyone who stands between Zuma and the state fiscus.”²⁰

Zuma’s has made a series of appointments determined by loyalty rather than qualification, most notably the appointment of the inexperienced Zwane as mines minister over veteran **Ngoako Ramathlodi**.²¹ Fitch Ratings has previously cited Zuma’s questionable cabinet appointments as cause for concern. In a June 2014 review, Fitch criticised *“the track record of some key ministerial appointments and shortcomings in administrative capacity”*.²²

Nene’s sacking may be the beginning of a wider reshuffle as the ANC’s internal succession battle gathers momentum. However, Gordhan’s appointment shows that the ANC may be losing patience with the president’s tendency to promote little known and unqualified candidates. Nevertheless, some sources believe that this will include Zuma’s former cohorts in the SACP:

“[Blade] Nzimande, [Rob] Davies and [Jeff] Radebe [all SACP ministers] will go soon, the South African Reserve Bank will be in his (Zuma’s) sights too but [is] more difficult to crack at this stage.”²³

South Africa continues to borrow as Fitch downgrades

Less than a week before Nene’s dismissal, Fitch Ratings downgraded South Africa’s sovereign credit rating to BBB- from BBB on 4 December.²⁴ The new rating is one notch above junk (BB), but the ratings agency cites a stable outlook into 2016.²⁵ South Africa now stands one grade above a ‘junk’ investment grade with two of three ratings agencies.²⁶

The Fitch downgrade brings the rating into line with Standard & Poor’s, which on 4 December maintained the BBB- rating for South Africa that it issued in June 2014. S&P downgraded South Africa’s outlook to negative from stable and gave South Africa a two-year window to turn the economy around without risk of further downgrades in March 2015.²⁷ **Moody’s** previously highlighted infrastructure deficiencies, an inflexible and strike prone labour market, and a large unskilled labour force as major threats to economic stability, cutting South Africa’s rating to BBB in November 2014.²⁸ S&P and Fitch have previously revised their GDP growth projections for 2016 downwards, S&P to 1.6%²⁹ and Fitch to 1.4% from 2.1%. The 2015 budget review in February predicted growth in 2016 to reach 3.7%.³⁰ In previous June 2014 reviews S&P and Fitch expressed a lack of faith in South African governance and *“deeply rooted structural problems”*.³¹

Zuma’s firing of Nene underscores one of Fitch’s main concerns – the unsuitability of Zuma’s cabinet appointments.³² In their most recent reviews, both ratings agencies have drawn attention to the Zuma government’s failure to implement the **National Development Plan (NDP)**, highlighting the lack of government resolve and its failure to address the concerns they have previously voiced.³³

In 2015 South Africa has continued to struggle, not reaching the economic recovery ex-finance minister Nhlanelhla Nene predicted in the February budget. The rand has fallen to unprecedented lows,

²⁰ Source, senior business commentator, London

²¹ News 24, 10 Dec 2015

²² Business Day, 15 June 2015

²³ Source, senior business commentator, London

²⁴ Reuters, 4 Dec 2015

²⁵ Reuters, 4 Dec 2015

²⁶ Reuters, 3 Dec 2015

²⁷ Bloomberg, 9 Mar 2015

²⁸ Moneyweb, 11 Mar 2015.

²⁹ Reuters, 4 Dec 2015

³⁰ Treasury, 25 Feb 2015

³¹ Business Day, 15 June 2014

³² FT, 9 Dec 2015

³³ Reuters, 4 Dec 2015

falling to 15.33 against the dollar on 10 December, and an overall decline of 23.86% in 2015.³⁴ **Statistics South Africa** revealed on 24 November that Q3 economic growth was 0.7%, indicating a narrowly avoided recession.³⁵ The **Business Confidence Index** published by the **South Africa Chamber of Commerce and Industry** illustrated a 5.7-point fall in business confidence in their November report.³⁶ The government appears to have done little to address the concerns of the rating agencies in 2015. The continuing electricity crisis affects productivity through load shedding and random blackouts, and further damages the government-business relationship. Real activity in the South African economy increased by only 1.2% year-on-year during Q2 of 2015 – the weakest reading since the 2009 recession.³⁷ As the public and private sectors struggle, unemployment has risen, especially affected by the mining sector downturn and commodities price slump.³⁸ Unemployment in Q3 2015 was 25.5% of the labour force, rising from 23.8% in Q3 2014 and fuelling pressure for government to perform.³⁹ An increasing vote of no confidence is evidenced by the **Organisation for Economic Co-operation and Development** data from the 2015 ‘government at a glance’ report, which states a 32% decrease in confidence in government from 2007-2014 and a current 34% confidence in government (2014 data).⁴⁰

Despite growing concern, the treasury revised the estimated budget deficit for 2015 down from 4.7% of GDP to 4.3% in May⁴¹ and gross revenue collection for 2014/2015 exceeded the February budget expectations estimate by \$600m.⁴² The relationship between South Africa and **China** has continued to strengthen amidst Zuma’s anti-western rhetoric. South Africa hosted the **Forum on China-Africa Co-operation (FOCAC)** from 3-5 December, during which China pledged \$60 billion to develop **Africa**.⁴³ Chinese president **Xi Jinping** attended FOCAC, which generated \$6.5 billion worth in deals between China and South Africa.⁴⁴ The deals include a \$2.5 billion credit lifeline from **China Export and Credit Insurance** for state-owned enterprise (SOE) Transnet and a **China Development Bank (CDB)** loan of \$500m for state-owned power utility **Eskom**. In addition, China’s largest asset lender, **Industrial and Commercial Bank of China**, announced plans on 3 December to sell R10 billion (\$696m) of bonds in rand-denominated debt, the first Asian lender to offer rand-denominated loans.⁴⁵ The bonds will be used to fund infrastructure projects, and reiterate a longstanding political commitment from China. Despite recent fears that the “*growth miracle*” has come to an end, China remains a strong economy and key ally to South Africa.⁴⁶ The CDB offers an affordable alternative to international bonds, which SOEs such as Eskom have already deemed to be unaffordable.⁴⁷ South Africa may begin to lose its attraction to foreign investors amidst growing competition from other frontline states, due to unaddressed inflation, depleted growth and negative sovereign credit ratings.

Rise of the EFF shapes South Africa’s political future

While the fall out from changes in the finance ministry occupies the ANC, its nemesis, the EFF, continues its stealthy growth into a serious political force. EFF leader **Julius Malema** and other senior party figures visited the **United Kingdom (UK)** from 24-29 November where they addressed CEOs of international corporations at the **Oxford University Student Union** and **Chatham House**. Some

³⁴ Bloomberg, 30 Nov 2015

³⁵ Mail & Guardian, 24 Nov 2015

³⁶ SACCI, Nov 2015

³⁷ NKC analysis, 2015

³⁸ Financial Times, 23 May 2015.

³⁹ Reuters, 26 May 2015.

⁴⁰ OECD, Government at a glance 2015, 6 Jul 2015

⁴¹ SA Treasury, May 2015

⁴² Business Day, 7 May 2015.

⁴³ BBC, 4 Dec 2015

⁴⁴ Business Day, 3 Dec 2015

⁴⁵ Reuters, 3 Dec 2015

⁴⁶ FRBSF, 10 Aug 2015

⁴⁷ Reuters, 24 Nov 2015

business leaders were reportedly “surprised” and “impressed” by the EFF’s economic policies.⁴⁸ One of those present describes how British investors

“were surprised by how thoughtful and articulate Malema was [...] He offers protection for business and not the corrupt state.”⁴⁹

Other UK investors in the audience, however, remained traditionally sceptical of the viability of policies that involve an avowedly statist approach (see below).⁵⁰

The political maturing of the EFF and its leader Julius Malema is the most important trend of 2015. The EFF won 6.2% of the vote in the May 2014 general election many political commentators dismissed them as a protest vote. However, across 2015 the party has reinvigorated politics, particularly parliament, and most notably during the **State of the Nation (SONA)** address in February where they used parliamentary procedure to challenge President Jacob Zuma to “pay back the money” that the public protector has stated he owes for upgrades to his private property, **Nkandla (KwaZulu-Natal)**. The EFF have since impressed fellow legislators with the diligence of party members in standing committees, and have convinced an increasingly diverse range of people that they are a credible opposition party. According to senior commentators, Malema “articulates the huge problems of inequality, poverty, and unemployment in South Africa, which is an area that worries investors”.⁵¹ Another source, who has switched from supporting the ruling ANC to the EFF, described Malema as the “champion of the poor”.⁵² Julius Malema has improved the presentation of his party well, both domestically and internationally: “He is a persuasive leader with a strong brand, and you certainly can’t argue with that.”⁵³

Since capturing the nation’s attention during the SONA in February, the EFF has learned to command and control the media’s attention. Their antics inside parliament – all sporting bright pink domestic worker’s uniforms – have made the **South African Broadcasting Corporation (SABC)**’s parliamentary channel compulsive viewing.⁵⁴ Outside parliament the EFF leader has shed his infamous expensive, ostentatious clothing and watches and now drives modest cars. Several of the EFF senior team have returned to study at university – Malema is currently completing a masters’ degree in politics and economics at the **University of South Africa (UNISA)**. This pays off in parliament, according to another opposition source:

“The EFF are able to embarrass the ANC leadership who are less qualified than they are.”⁵⁵

The EFF stand a greater chance of electoral success than many in the domestic media give them credit for. South Africa’s voter registration currently stands at 48.9% of the total population.⁵⁶ A large proportion of those not registered to vote are the poorest of the poor, described by one source as the “underclass”.⁵⁷ The EFF is the only party with an electoral strategy aimed at politically mobilising them. The rural and urban poor who exercise their vote are supporters of the ANC, and the **Democratic Alliance (DA)** offers no real opposition as they are “seen as middle class by the ANC’s base”.⁵⁸ The poorest of the poor are the key gap in the political market, which the EFF have identified and intend to target. The ANC are likely to lose the loyalty of the group with the most to lose as South Africa’s economy falters, and drought conditions, rising inflation, higher food prices and increasing unemployment continue into 2016.

⁴⁸ Source, attended the Malema meeting, London

⁴⁹ BizNews, 1 Dec 2015

⁵⁰ Senior business executive of UK Plc, attended Malema meeting, London

⁵¹ BizNews, 1 Dec 2015

⁵² Source with ties to NUMSA, Johannesburg

⁵³ Source with ties to NUMSA, Johannesburg

⁵⁴ Political commentator, Johannesburg

⁵⁵ Source, opposition leader, Johannesburg

⁵⁶ IEC website data, Dec 2015

⁵⁷ Source, senior political and economic commentator, Johannesburg

⁵⁸ Source, political analyst, Johannesburg

Part of the reason the EFF are able to reach out to the poorest of the poor is their leftist rhetoric and policies. In November EFF leaders in an interview in parliament with ARC Briefing laid out their legislative agenda.

- **Corporate ownership:** The EFF “believe at least 50% of ownership should go to the workers, not to an individual, like under BBBEE.”⁵⁹ Malema developed this statement in London, calling upon firms operating in South Africa to offer partial corporate ownership to their workers, stating that the EFF supports business models akin to those already in operation in UK-owned **John Lewis** as a method of tackling South Africa’s increasing labour strikes.⁶⁰
- **Land ownership:** The EFF also advocate taking all land under the “custodianship of the state” leasing it back to individuals and companies on a lifetime or 100-year basis, as in neighbouring **Mozambique**. The parties would part nationalise key industries in order to ensure they have maximum beneficiation to local communities.
- **Nationalisation:** The EFF leadership, however, does not want to discourage investment in South Africa through overly aggressive nationalisation policies. Malema has criticised **Zimbabwe’s** “scorched earth” approach to expropriation, calming fears about the EFF’s recent nationalisation rhetoric, stating that the EFF does not oppose private ownership of business, contrary to Malema’s previous support for President **Robert Mugabe** (1980-present).⁶¹ An ARCB interview with the EFF reveals that they have no intention of abandoning their policy of nationalisation but have an awareness of the policy’s potential for poor reform and corruption.

“We do not want to be like Zimbabwe, where the government did land reform overnight and did it badly... all the land went to the politicians.... we want to create a diversified and productive agricultural sector.”⁶²

However, the EFF are not eager to get into power in the short term. They are content for the moment to hold the ANC to account through parliament and in the public sphere.

“We do not want to get into government now, we don’t have the experience; we want to grow everywhere and take the whole country in 2029.”⁶³

Their long-term electoral plan involves broad representation aiming, ambitiously, to have 3.5% of the electorate, with two candidates in each municipality in the 2016 municipal elections. They are happy for the DA to win control of metropolitan areas, so they can learn from their good governing ability. Direct control of any municipality is not necessary immediately, but they stand a good chance of winning municipalities in **Limpopo** and **Mpumalanga** provinces in 2016. Long term the party hopes to grow their support base to 6-7 million people in order to become the major opposition and in 2019.⁶⁴ This is an ambitious goal, but with sources from a wide range of backgrounds giving them the vote of confidence, they may get close. Since Zuma’s election in 2009 the ANC share of the national vote has steadily fallen.⁶⁵ The ANC’s continuing poor performance is beginning to drive younger voters without an emotional commitment to the ANC away, towards opposition parties such as the EFF.

Hitachi ruling and possible electoral fraud highlight ANC failings

The ANC’s poor governance continues to embarrass the ruling party and South Africa. The latest scandals to affect the ANC relate to tender corruption and electoral fraud, adding to its crisis of legitimacy. The **African Development Bank Group (AfDB)** and **Japan-based Hitachi** have settled, ending a three-year corruption investigation into a coal-fired **Medupi Power Station** tender contract.

⁵⁹ Source, EFF leader, Cape Town

⁶⁰ News 24, 1 Dec 2015

⁶¹ News Day, 27 Nov 2015

⁶² Source, EFF leader, Cape Town

⁶³ Source, EFF Leader, Cape Town

⁶⁴ Source, EFF Leader, Cape Town

⁶⁵ Independent Electoral Commission Data, 10 Dec 2015

Hitachi has agreed to a one-year conditional debarment, and a “*substantial financial contribution to AfDB*” which is terminable upon improvement of the Hitachi integrity compliance programme to a standard set by the AfDB. This sanctioning is in addition to \$19m Hitachi paid to the **United States (US) Securities and Exchange Commission (SEC)** in September after the SEC found Hitachi guilty of “*inaccurately recording improper payments to South Africa’s ruling political party*”⁶⁶ violating the **US Foreign Corrupt Practices Act (FCPA)**.

Hitachi sold a 25% stake in one of their subsidiaries to **Chancellor House** in 2005, a **Johannesburg Stock Exchange (JSE)**-listed company fully owned by an ANC fund. Chancellor House enabled the ANC to benefit from a tender of state-owned power utility Eskom to develop Medupi, worth \$2.6 billion, with an additional \$1m in success and consultancy fees.⁶⁷ In April 2010 then DA leader **Helen Zille** announced that the ANC could benefit from a **World Bank** loan of \$1 billion to Eskom. It was only in 2014 that Hitachi bought back the shares held by Chancellor House, eventually leading to the FCPA violation and \$19 million in charges to the SEC.⁶⁸ The ANC denied any benefit from the Chancellor House relationship and refused to sell the shares until 2014. The FCPA announcement adds to the growing criticism of wealth inequality and the failure of **broad-based black economic empowerment (BBEE)** policy in South Africa, impacting the ANC’s credibility.

The ANC’s poor governance extends beyond relationships with private corporations into the electoral system. The **Constitutional Court** on 30 November annulled the December 2013 **Tlokwe** by-elections, ruling that they were not “*free and fair*”.⁶⁹ Eight independent candidates challenged the ANC’s initial victory in six wards. DA candidates previously held the six wards contested in 2013. The independent candidates had previously filed complaints to the electoral court, which failed to postpone the December by-elections in light of reports of illegitimate voter registrations. The **Independent Electoral Commission (IEC)** post-election investigation into the eligibility of voters in Tlokwe determined that ineligible registrations had occurred but the numbers were not deemed significant to the result of the election.⁷⁰

ANC secretary general Gwede Mantashe stated that the party will comply with the constitutional court ruling.⁷¹ EFF leader Julius Malema furthered concerns about potential electoral fraud ahead of the 2016 municipal elections by stating that “*the ANC does not win elections, it steals them.*”⁷²

All opposition parties criticised Zuma’s appointment of his former policy advisor, **Vuma Mashinini**, as IEC chair on 14 October 2015, arguing that their personal connection was a conflict of interest.⁷³ This concern is mirrored in the justifications of Fitch and S&P for previous downgrades. According to multiple sources in South Africa, the country’s electoral credibility is under threat from the ANC:

“The ANC learnt from other African countries how to rig elections – they have captured the media, the [National Prosecuting Authority] NPA, some of the judiciary, and now the IEC.”⁷⁴

Electoral fraud may increase as the ANC’s majority comes under pressure from opposition parties. The municipal elections are the beginning of the campaigns for the 2019 presidential elections which one source believes will be the focus of ANC manipulation.

“The ANC may cheat, manipulating elections and numbers...there will be a concerted effort to cheat in the 2019 elections.”⁷⁵

⁶⁶ FCPA blog, 2 Dec 2015

⁶⁷ Mail & Guardian, 29 Sep 2015

⁶⁸ Mail & Guardian, 29 Sep 2015

⁶⁹ News24, 30 Nov 2015

⁷⁰ News24, 12 Jan 2015

⁷¹ News24, 30 Nov 2015

⁷² Mail & Guardian, 1 Dec 2015

⁷³ EFF.org, 15 Oct 2015

⁷⁴ Source, CEO and chair of business forum, Johannesburg

⁷⁵ Source, ties to Numsa, Johannesburg

Incidences of electoral fraud are symptomatic of the Zuma administration's failure to provide South Africa with a robust economic alternative to illegitimate sources of cash.

*"The power of money in the ANC means it is possible to buy a position, extrapolate that to the national scene, if you throw everything, money can buy [votes]."*⁷⁶

The Tlokwe ruling demonstrates that some parts of the ruling party have used electoral fraud in the past. This increases the chance of more fraudulent results in next year's municipal elections.

Implications

The battle to oust Zuma has taken a serious turn. For the first time the markets have woken up to the danger the president poses to the country. If Nene's dismissal is the start of a wider re-shuffle then the impact of the lack of experience and poor governance that has characterised both Zuma administrations will spread. This leads to economic shrinkage, wage inflation, mass job losses and high spending, which eventually all lead to disinvestment. Gordhan is a known quantity and has calmed the markets, but is held back by loyalty to his former commanding officer. The risk to the economy remains.

As the municipal elections of 2016 and the ANC Lekgotla in 2017 approach, Zuma will attempt to reform the party and guarantee support for his preferred successor. The removal of Nene, a technocrat and supporter of deputy president Cyril Ramaphosa, suggests that President Zuma remains at odds with some members of the ANC. Put in the context of Cosatu declaring support for Ramaphosa last month, Nene's firing fits a trend of political manoeuvring at the expense of the country. Van Rooyen is not a complete financial novice and may rise to the challenge of South Africa's economy. However, his appointment is an unnecessary risk to take in a time of economic difficulty.

A closer relationship with China may not benefit South Africa in the long-term as a slowdown in China's growth continues into 2016. The Chinese Development Bank has offered affordable credit to the South African government as sovereign credit downgrades by S&P and an outlook downgrade from Fitch manoeuvre South Africa into an increasingly difficult position to acquire affordable international bonds. The depreciation of the rand further limits South Africa's ability to borrow internationally, the options available to government are increasingly limited, once again relying on China for rand-denominated loans.

Julius Malema won a relatively positive reception from UK business for the EFF during his visit to the UK. The electorate's support for the EFF will continue to grow in 2016. The EFF's plans to gather broad-based support with the long-term goal of becoming the leading party in 2029 differ from the DA's approach, which aims to capture and maintain its urban-support, ignoring the poorest of the poor. These are likely to become the loudest voices during the coming municipal elections, as the ANC's failure to deliver education, power and water continue to disappoint. The EFF's conscious movement into this electoral group will further fuel the recent political reinvigoration of civil society. The ANC is likely to find itself held to account by protest, and popular demand, rather than by opposition party members alone.

Pressure is mounting on the ANC to improve economic performance ahead of the 2016 municipal elections. The electability of the ANC is affected by embarrassments like the Tlokwe and Medupi tender contract rulings. An economy with slow growth and growing unemployment will impact the electability of the ANC. The EFF's message is providing an increasingly viable alternative to the ANC although it is unlikely to become the main opposition in the current or next parliament. The EFF's surprise is the practical nature of its economic policies. It presents alternatives to BBBEE legislation, employee ownership implemented in a considered and long-term strategy that is designed to prevent a business exodus akin to that of Zimbabwe. Malema is reaching out to business more than the Zuma administration ever has, because even though his policies are more aggressively interventionist he understands that they cannot happen without business/government communication. His ability to de-

⁷⁶ Source, with ties to NUMSA, Johannesburg

mystify left wing policy with direct reference to British examples such as John Lewis reflects well upon his ability as a potential future leader.

The ANC are under pressure to improve government. Calls for government accountability in social media and within the press have traditionally been accompanied by calls for electoral accountability and criticism of a nation, which repeatedly elects a party known for their dishonesty. The ANC can expect to lose this balance to their criticism, and expect closer scrutiny and suspicion of future elections in light of the Tlokwe annulment. Allegations of electoral fraud will damage the internal reputation of the ANC further and impact the international standing of South Africa, already judged by a failure to regain control of an economy.

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