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Finance minister Malusi Gigaba releases the government's new economic plan for promoting growth in South Africa, but fails to convince the private sector that it will result in any change to the current economic situation. Deputy president Cyril Ramaphosa urges delegates of the South African Communist Party (SACP) to remain in the ruling tripartite alliance with the African National Congress (ANC) and the Congress of South African Trade Unions (Cosatu). Mining industry body South African Chamber of Mines (SACOM) increases pressure on mining minister Mosebenzi Zwane by filing an injunction to prevent him from enacting an order restricting the transfer of mineral rights between companies.

Gigaba releases 'radical' economic plan

Finance minister **Malusi Gigaba** released the government's new economic plan for promoting growth in **South Africa** on 13 July.¹ Gigaba, whom President **Jacob Zuma** (2009-present) appointed in contentious circumstances in April (see *ARC Briefing South Africa April 2017*), has yet to convince business of the strength of the government's policies, and the economic plan was his first major policy announcement. Gigaba said that the plan would focus on 14 different areas that require direct interventions.² These are to address the major problems with South Africa's economy that include slow growth, rising government debt, poor finances in state-owned enterprises (SOEs), uncertainty over government policy, and poor business and consumer confidence.³ Key policy interventions are:

- a sustainable public sector wage agreement;
- increased debt relief for the most vulnerable;
- revised public procurement bill by March 2018;
- recapitalising failed SOE **South African Airways (SAA)**;
- a framework for private sector participation in SOEs;
- approval for **National Energy Regulator of South Africa (NERSA)** to allow electricity SOE **Eskom** to increase tariffs in 2018;
- approval of the new broad-based black economic empowerment (BBBEE) charter with the mining industry; and
- tabling a **Land Holdings Bill** to revise ownership of farmland.⁴

Gigaba told parliament that the government had consulted a wide range of stakeholders when drawing the new economic plans together. He listed business, the unions, and community groups.⁵ However, business groups complained on 12 July that Gigaba had missed a number of key meetings in the run up to the policy announcement.⁶ Gigaba described the economic plans as:

"[The] beginning of a response programme that will be carried forward in the medium-term budget statement [in October 2017] and subsequent budget [February 2018] ... [they will]

¹ Business Day, 13 Jul 2017.

² Business Day, 13 Jul 2017.

³ Business Day, 13 Jul 2017.

⁴ Business Day, 13 Jul 2017.

⁵ Business Day, 13 Jul 2017.

⁶ Daily Maverick, 12 Jul 2017.

support both business and consumer confidence, thereby laying the foundation for an economic recovery.”⁷

However, the response from observers and stakeholders to the announcements is largely negative:

“Gigaba has been telling everyone that he is going to support radical economic transformation ... there is nothing radical about these proposals, there is barely anything economic about these proposals. They are just another list of things to spend money on the government does not have.”⁸

Figures within business argue that the plans do not actually address any of the key issues Gigaba highlighted:

“Where are the measures to recoup government expenditure? Where are the fiscal policy targets to address inflation and currency pressures? Where is any kind of plan to deal with the increasing privately and publicly held debt burden? We are not going to engage with government in any way until they engage with the real problems.”⁹

The **International Monetary Fund (IMF)** warned the government, in a report published on 6 July, of the economy’s continuing vulnerability to funding shortfalls and external shocks in 2017.¹⁰ The report is particularly important as Gigaba told parliament, on 30 June, that South Africa may need to find “outside help”¹¹ if the situation worsened – presumably from the IMF.¹² The IMF highlighted political uncertainties as one factor behind the dip in consumer confidence that caused the recession, and cited the unemployment rate of 28% as a factor of long-term economic instability.¹³ The IMF cited concerns over a planned review of the independence of the **South African Reserve Bank (SARB)** (central bank) and plans to try to change constitutionally guaranteed protections from land expropriation as further reasons for low consumer and investor confidence.¹⁴ It cited Gigaba’s \$174m bailout of SAA as evidence that the state could face cash shortages.¹⁵

Gigaba remains unable to convince business and economic observers that he has what it takes to turn South Africa’s economy around. Gigaba often talks of radical economic transformation – itself a concern to business – but has yet to demonstrate appetite to change anything, let alone in a radical way. The recent policies announced amount to continuing Zuma’s desired economic policies: bailouts of SOEs, land reform, and a desire to bring the private sector into partnership with SOEs on the government’s terms. None of these measures will decrease public sector debt or drive private sector growth. Gigaba could have waited until the mid-term budget statement in October to announce these measures and lost no more credibility with business. The most likely reason he did so now is to allow the Zuma administration to begin its spending programmes sooner, putting the economy in a more precarious position in the short and medium term.

Deputy president Cyril Ramaphosa urges SACP to remain in alliance with ANC

Deputy president **Cyril Ramaphosa** urged delegates of the **South African Communist Party (SACP)** to remain in the ruling tripartite alliance with the **African National Congress (ANC)** and the **Congress of South African Trade Unions (Cosatu)** in a speech to the SACP congress on 12 July.¹⁶ The SACP and Ramaphosa are both opponents of Zuma, but the SACP considered a vote to leave the alliance, potentially damaging the reputation and electoral strength of the ANC (see *ARC Briefing South Africa March 2017*). Ramaphosa is a contender to succeed Zuma as president of the ANC at its

⁷ Business Day, 13 Jul 2017.

⁸ Source, economic professor, Johannesburg

⁹ Source, senior banker, Johannesburg.

¹⁰ IMF report, 6 Jul 2017.

¹¹ Rand Daily Mail, 30 Jun 2017.

¹² Rand Daily Mail, 30 Jun 2017.

¹³ IMF report, 6 Jul 2017.

¹⁴ IMF report, 6 Jul 2017.

¹⁵ IMF report, 6 Jul 2017.

¹⁶ Business Day, 12 Jul 2017.

lekgotla (national conference) in December. He used the speech to attack Zuma and his links to the so-called ‘state capture’ of public institutions and funds by the **Gupta** family (see *ARC Briefing South Africa January, April and May 2017*).¹⁷ He told SACP delegates that he would “not remain quiet...while the house is burning”¹⁸ and that the ANC, under his potential leadership, would “not protect those in our own ranks who are involved in these actions [to damage the nation].”¹⁹ Ramaphosa then urged the SACP delegates at the conference to vote against a motion to withdraw from the tripartite alliance:

“... as a revolutionary movement we must never take decisions out of anger. Pause before you sign on that resolution [to leave the alliance].”²⁰

The withdrawal of the SACP from the alliance could pose a threat to the ANC in the 2019 general election. The SACP has an agreement with the ANC to campaign for its members of parliament (MPs), in return for a number of ministerial seats in the cabinet. However, the SACP retains a significant grassroots operation that could turn against the ANC if it decided to compete in elections.²¹ Ramaphosa is asking the SACP to support his bid for the ANC leadership against Zuma-backed former **African Union (AU)** chair **Nkosazana Dlamini-Zuma**.²² This would involve remaining in the alliance until the ANC national congress in December, in order to strengthen Ramaphosa’s position as a unifying figure within the ANC.²³

It appears Ramaphosa was successful as the SACP did not vote to leave the tripartite alliance.²⁴ This strengthens his position going into the December vote. The open campaigning between the Ramaphosa and Zuma camps continues to increase in intensity as both seek votes from key allies and regional congresses of the ANC. Ramaphosa has managed to regain his union credentials, despite his highly successful business career. Many in the ANC still remember his work as a leading organiser for the unions in the 1980s under the apartheid regime. However, who will win remains unclear as both sides are working to secure votes from key provincial ANC memberships, notably **KwaZulu Natal** and the **Eastern Cape**.

Chamber of Mines steps up pressure after Zwane moves to restrict mining rights

The mining industry body, the **South African Chamber of Mines (SACOM)**, has increased pressure on mining minister **Mosebenzi Zwane** by filing an injunction on 25 July to prevent him from enacting a law restricting the transfer of mineral rights between companies.²⁵ Zwane is, in effect, seeking to control all purchases and sales of mining rights in South Africa, turning the entire industry into a state-controlled marketplace for an indefinite period of time. The mining industry and independent experts believe that this will wipe billions of dollars off the value of the sector, which is key to South Africa’s economic recovery.²⁶ Zwane gazetted a notice on 19 July that froze all applications for mining rights (necessary to transfer rights from one company to another) received after that date for the indefinite future.²⁷ Zwane invited mining stakeholders to comment on the new regulation under the **Mineral and Petroleum Resources Development Act (MPRDA)** by 4 August.²⁸ The regulations effectively attempt to circumvent a deal that Zwane struck with SACOM after he gazetted a new mining charter in June (see *ARC Briefing South Africa June 2017*). Zwane wants to increase the state’s

¹⁷ Business Day, 12 Jul 2017.

¹⁸ Business Day, 12 Jul 2017.

¹⁹ Business Day, 12 Jul 2017.

²⁰ Business Day, 12 Jul 2017.

²¹ Business Day, 12 Jul 2017.

²² Business Day, 12 Jul 2017.

²³ Business Day, 12 Jul 2017.

²⁴ Business Day, 14 Jul 2017.

²⁵ Business Day, 25 Jul 2017.

²⁶ Daily Maverick, 20 Jul 2017.

²⁷ Business Day, 20 Jul 2017.

²⁸ Business Day, 19 Jul 2017.

free carry equity stakes in mines under more stringent BBBEE regulations.²⁹ The moratorium would give the minister unprecedented control of the sector.³⁰ According to a senior mining lawyer:

*“This is Zwane acting way outside of the powers the bill grants him and it would be open to a challenge all the way up to the **Constitutional Court** ... this is a strong-arm tactic clear and simple to bring the mining sector to heel, but it will not stand up in court.”³¹*

SACOM lodged an urgent appeal at the **Pretoria High Court** on 25 July to set aside the new regulations on the basis that they go beyond the scope of the MPRDA.³² The MPRDA allows the minister to suspend a specific mining licence or invitation to transfer a mining licence so long as it is *“in the national interest ... or promoting sustainable development of the nation’s resources”*.³³ It also claims that Zwane is in breach of the **Promotion of Administrative Justice Act** and lays the grounds for claims that the minister may be in breach of the constitution.³⁴ SACOM released a statement saying that it had:

“... issued and served an urgent application with the Pretoria High Court to review and set aside the notice and to interdict the minister from taking any decision or issuing any directive contemplated in the notice.”³⁵

The court will hear the matter on 4 August, the minister’s deadline to receive comments on the 19 July regulations.³⁶ South Africa-based mining firms including **Anglo American Platinum (Amplats)** and **Kumba Iron Ore** have tried to reassure investors that they will be able to work within the regulatory environment at annual meetings in July.³⁷ If Zwane’s moratorium goes through then it will put all current South African mine transfer deals in jeopardy. This includes Amplats’ sale of its **Union Mine** to fully black-owned **Siyanda Resources** for \$64m.³⁸

Zwane is the minister pushing Zuma’s radical economic transformation agenda into the private sector. The proposed new mining charter would give the state significantly more control over the sector and has forced mining companies to give up millions of dollars worth of equity. SACOM has proposed compromise to Zwane but the minister appears uninterested. There is a total breakdown of trust between mining houses and the state, which has led to the minister attempting to strong-arm the sector into obeying him, and the companies using the courts to strike back. It appears likely that the mining houses may win the court case, but the Zuma administration has a pattern of using multiple levels of appeal to avoid obeying court orders. The mining industry is likely to face a difficult second half of 2017.

²⁹ Business Day, 19 Jul 2017.

³⁰ Business Day, 19 Jul 2017.

³¹ Source, senior mining lawyer, Johannesburg

³² Business Day, 25 Jul 2017.

³³ Business Day, 20 Jul 2017.

³⁴ Business Day, 25 Jul 2017.

³⁵ Business Day, 25 Jul 2017.

³⁶ Business Day, 25 Jul 2017.

³⁷ Daily Maverick, 26 Jul 2017.

³⁸ Business Day, 24 Jul 2017.

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