

## AFRICA RISK CONSULTING

### South Africa Monthly Briefing November 2023

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#### South Africa Summary 28 November 2023

*Home affairs minister Aaron Motsoaledi on 12 November unveils plans to substantively reform immigration and refugee laws in a bid to make South Africa a less attractive immigration and asylum destination. This is part of the government's increasing anti-immigrant policy position. Finance minister Enoch Godongwana in his 1 November Medium-Term Budget Policy Statement (MTBPS) highlights the country's difficult economic position. Godongwana indicates the finance ministry's desire for expenditure cuts but the government's lack of political will to pursue these. Statistics South Africa (StatsSA) on 15 November the latest quarterly employment figures revealing that employment levels have exceeded pre-pandemic levels for the first time. South Africa's ports are experiencing a major gridlock as port operator, Transnet, struggles to manage the volume of vessels and trucks.*

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#### Government plans to overhaul refugee and immigration laws

Home affairs minister **Aaron Motsoaledi** announced at a press conference on 12 November that the state is looking to overhaul **South Africa's** refugee and immigration regime.<sup>1</sup> Motsoaledi made this revelation while announcing the **White Paper on Citizenship, Immigration and Refugee Protection** which has been released for public comment. The paper will be open for public comment until 19 January 2024

This white paper is supposedly intended to unify the country's citizen, refugee, and immigration regulations under a single coherent law and will also account for the changes made under the **Border Management Act**. Accordingly, the white paper calls for the **Citizenship Act**, the **Refugees Act**, and the **Immigration Act** to be repealed and replaced by this proposed new law

It is clear that the bill intends to make South Africa a less desirable destination for economic immigrants and refugees. South Africa has historically been seen as an attractive destination for such groups of people due to the country's liberal immigration laws – South Africa is one of the very few nations which assented to the **1951 Refugee Convention** and the **1967 Protocol Relating to Refugees** without reservation.<sup>2</sup> However, the government is proposing that South Africa withdraw from both of these international treaties in order to rejoin them with declared reservations that will grant the state more freedom to deny asylum and deport undocumented immigrants.

Motsoaledi's department wants to create a new institutional framework like that used by **Canada** which will create a full-time **Refugee Protection Division** and **Refugee Appeal Division** to adjudicate asylum requests and appeals. The department claims that this will speed up the application process and enable these matters to be addressed at ports of entry. The proposed new law will also mandate that to qualify for asylum, refugees must present themselves as such at a point of entry and any individual who crosses South Africa's borders illegally will need to show good cause. Furthermore, the new law mandates that refugees will need to prove that they attempted to secure asylum at the first safe geographical area that they arrived at before they can qualify for asylum in South Africa. Motsoaledi also revealed that the government is planning on introducing a new labour migration policy that will set quotas on the number of foreign workers permitted by an institution.

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<sup>1</sup> EWN, 13 Nov 2023

<sup>2</sup> News24, 12 Nov 2023

This new white paper has drawn widespread criticism from refugee and humanitarian organisations in South Africa. **Lawyers for Human Rights** described the white paper as a “*significant setback*” for the country while Professor **Fatima Khan**, director of the **Refugee Rights Unit** at the **University of Cape Town (UCT)**, has noted that the proposed new law is potentially unconstitutional.<sup>3</sup>

Motsoaledi was likely aware that the proposed legislative changes would face stiff opposition from human rights organisations, leading him to publish the white paper for public comment over the December holiday period. The government frequently releases bills it fears will be unpopular for comment during this period as they will face less scrutiny amid the year-end rush and holiday period.

The fact that the government appears to be rushing to move forward with this legislation highlights the extent to which immigration is a central political issue in South Africa. Issues surrounding undocumented immigration and the number of foreign nationals in the country are expected to be a central concern during the upcoming 2024 general election. The ruling **African National Congress (ANC)** has faced criticism within its traditional strongholds, especially urban townships, for the perceived number of foreign nationals in the country. The ruling party is fearful that it will lose voters to parties such as **ActionSA** or the **Patriotic Alliance (PA)** which have more strident positions on immigration. As such, this bill is the latest attempt by the ANC to be seen to be adopting a more anti-immigrant tone ahead of the election.

Such a shift by the governing party is concerning as it is a small step from this position to openly scapegoating foreign nationals for the country’s economic challenges. The 2024 election is already expected to be marked by xenophobic rhetoric and even violence; this will be exacerbated if the ruling party is seen to condone such a narrative.

### Medium-term budget speech highlights economic challenges

Finance minister **Enoch Godongwana** delivered the **2023 Medium Term Budget Policy Statement (MTBPS)** before parliament on 1 November.<sup>4</sup> Godongwana confirmed that the country is facing severe economic headwinds and fiscal constraints, which have been exacerbated by a decline in revenue collection largely due to a fall in the value and volume of South Africa’s exports. This decline is partly due to a decline in global demand for commodities, but it is also related to the ongoing disruptions at the country’s ports caused by dysfunction at the state-owned ports and railways company, **Transnet** (see below).

As a result of this lower-than-expected revenue collection, South Africa’s budget deficit has now increased to R54.7 billion (\$2.9 billion). In order to finance this deficit, the government will need to accrue more debt thus worsening the country’s debt burden. Godongwana sought to portray an optimistic outlook and stated that he believes that the country is on the road to recovery.<sup>5</sup> The MTBPS made it clear that this will be dependent on the government’s willingness to implement austerity measures. The finance minister announced spending cuts of around R21 billion (\$1.12 billion); however, these cuts were less than the R28 billion (\$1.49 billion) the government underspent in the past year.

The government is opposed to implementing more far-reaching cuts ahead of an election year, as such a move is unpopular with both the electorate and the ANC’s internal powerbrokers. Illustrative of this latter group is the fact that the presidential and VIP protection services received a R52.4 million (\$2.79m) boost even though the presidential security entourage is among the largest for comparative countries and the justification for cabinet ministers to require protection details is dubious.

The MTBPS was both optimistic and realistic but was never going to include the decisive action required to address South Africa’s fiscal challenges. As such, there is increased pressure on the February 2024 annual budget to take more substantive action in implementing cuts and potentially

<sup>3</sup> Daily Maverick, 26 Nov 2023

<sup>4</sup> EWN, 1 Nov 2023

<sup>5</sup> MTBPS, 1 Nov 2023

even raise taxes. However, the government will be reluctant to take such unpopular measures in the months just prior to a contentious election.

### Employment returns to pre-pandemic levels

**Statistics South Africa (StatsSA)** released the third quarter (Q3) **Quarterly Labour Force Survey (QLFS)** on 15 November, indicating that 399,000 new jobs were added.<sup>6</sup> This addition brings the employment level to 16.7 million jobs exceeding the pre-pandemic (Q1:2020) employment level of 16.4 million jobs for the first time. This also marks the eighth consecutive quarter in which South Africa recorded a net positive growth in employment levels. The largest job gains in Q3 2023 were recorded in the formal and agricultural sectors.

Surpassing pre-pandemic employment levels is an important positive development, especially given that the active workforce fell to 14.1 million employed people at the worst point during the pandemic. However, the fact that it has taken so long has highlighted the sluggish pace of South Africa's economic recovery. This is further underscored by the fact that the official unemployment rate is currently 32.6% which is 2.5% higher than the pre-pandemic unemployment rate of 30.1%. As such, employment levels are failing to grow at the rate necessary to absorb new entrants into the job market and substantively reduce unemployment levels. It should be noted that while the official unemployment rate is 32.6%, the expanded definition of unemployment rate which includes discouraged jobseekers is currently estimated to be 41.2%.

Such high unemployment rates will only be addressed through higher rates of economic growth, but it is estimated that GDP growth of 5% or higher is required to achieve this. Such high rates of growth are not feasible until South Africa manages to address major structural issues, most notably, the ongoing electricity supply and logistics crises.

### Gridlock in the country's ports

The logistics crisis developing in South Africa's port system is rapidly emerging as a more concerning long-term threat to South Africa's long-term economic prosperity. Individuals, companies, and communities can feasibly develop their own embedded electricity generation to offset the worst effects of the power supply crisis. Arguably, it is the major development of privately generated power which has prevented the situation from deteriorating further. However, it is significantly more complex, time-consuming, and costly to develop private railway and port systems.

Illustrative of the ongoing logistics crisis, as of 25 November, there are around 100 container vessels moored off South Africa's coast waiting to offload their cargo.<sup>7</sup> At the country's largest harbour, **Durban Port**, there are over 71,000 goods containers stuck aboard waiting vessels and Transnet has warned that there is a 21-day waiting period for vessels waiting to offload.<sup>8</sup>

These prolonged delays have impacted South Africa's ability to import and export goods, particularly hurting the country's agriculture sector which is reliant on the efficient exporting of perishable goods. However, other key export sectors such as mining have also been negatively affected - the country's largest coal terminal at **Richards Bay Port** has suspended processing trucks transporting coal due to unmanageable traffic volumes, effectively curbing the country's ability to export coal.<sup>9</sup>

The **South African Association of Freight Forwarders (SAAFF)** estimates that Transnet's inefficiencies cost the economy R98m (\$5.24m) a day in direct, sunken costs and at least R26m (\$1.39m) a day in indirect costs.<sup>10</sup> It is further estimated that the current delays and disruptions at the country's ports are impeding the flow of at least R7 billion (\$374m) worth of goods a day.

<sup>6</sup> StatsSA, 15 Nov 2023

<sup>7</sup> News24, 22 Nov 2023

<sup>8</sup> EWN, 21 Nov 2023

<sup>9</sup> Reuters, 20 Nov 2023

<sup>10</sup> News24, 25 Nov 2023

Transnet's decline and the ongoing poor port performance do not just harm the country's economy but cause real reputational damage. Local enterprises are already turning to neighbouring countries such as **Mozambique** and **Namibia** through which to export goods, and if South Africa's ports develop a lasting reputation for delays and poor performance, trade partners may turn to competitor nations who can provide similar exports more reliably on a permanent basis.

This is all happening during a period in which Transnet's internal leadership is in a state of flux. Several key positions in the parastatal – including the CEO and CFO – are currently held by acting incumbents. The **Department of Public Enterprises** has also been slow to fill vacant positions on the company's board which, in turn, will affect the ongoing search for new executives.

There is a legitimate fear that Transnet could become the next **Eskom** – South Africa's struggling power utility – however, as stated there are fewer solutions available to compensate for the declining performance of the ports and railways operator. The government appears to be aware of this and is open to discussing increased private sector involvement in Transnet's operations, something the company itself is opposed to. However, these partnerships may be an inevitability as evidenced by the July 2023 announcement that the **Philippines**-based **International Container Terminal Services (ICTSI)** would soon take over operations at the Pier 2 container terminal at Durban Port.<sup>11</sup>

## Planner

6 Dec 2022 **Pretoria (South Africa)** Q3 2022 GDP data;  
 13-15 Dec 2022 **Washington (United States)** The **US-Africa Leaders' Summit**;  
 Dec 2022 **(South Africa)** **African National Congress** elective congress;  
 2024 **(South Africa)** General election

## Chronology

27 Nov 2023 **Johannesburg (South Africa)** *News24*. The **South African Broadcasting Commission (SABC)** appoints former **MTN** marketing general manager **Nomsa Chabeli** as the broadcaster's new CEO;

26 Nov 2023 **Durban (South Africa)** *City Press*. Opposition **Inkatha Freedom Party (IFP)** announces that it will honour the party's late founder **Mangosuthu Buthelezi** during its 2024 election campaign including using his face and image in campaigns and even – if possible – on the ballot paper itself;

26 Nov 2023 **Johannesburg (South Africa)** *News24*. **Songezo Zibi**, the leader of the **Rise Mzansi** political party, claims that his party will win 7.5% of the vote in the 2024 general election;

24 Nov 2023 **Bloemfontein (South Africa)** *News24*. Supreme court of appeal rules that the ruling **African National Congress (ANC)** is liable to pay R102m (\$5.44m) in unpaid debt owed to **KwaZulu-Natal (KZN)**-based marketing firm **Ezulweni Investments**;

24 Nov 2023 **Johannesburg (South Africa)** *Bloomberg*. State power utility **Eskom** implements Stage 6 loadshedding highlighting the country's ongoing power supply crisis;

23 Nov 2023 **Johannesburg (South Africa)** *Bloomberg*. The **South African Reserve Bank (SARB)** (central bank) **Monetary Policy Committee (MPC)** maintains the benchmark rate at 8.25% after annual inflation rises to 5.9% in October;

21 Nov 2023 **Cape Town (South Africa)** *Al Jazeera*. Parliament adopts a motion calling in the government to suspend diplomatic ties with **Israel** and close the Israeli embassy in **Pretoria**

<sup>11</sup> Maritime Executive, 18 Jul 2023

over the ongoing conflict in the **Gaza Strip**; however, the move has not yet been voted on by the cabinet;

21 Nov 2023 **Middelburg (South Africa)** *News24*. Middelburg specialised commercial crimes court strikes the corruption case involving former **Eskom** acting CEO **Matshela Koko** from the court roll after finding the **National Prosecuting Authority (NPA)** has taken unreasonable delays in bringing its case to trial;

19 Nov 2023 **Durban (South Africa)** *Daily Maverick*. Durban high court sets 30 January 2024 as the date for the trial of the 65 alleged instigators of the July 2021 civil unrest;

18 Nov 2023 **Pretoria (South Africa)** *GCIS*. The **Electoral Commission (IEC)** holds a voter registration campaign across the country;

18 Nov 2023 **Cape Town (South Africa)** *News24*. Opposition **Democratic Alliance (DA)** claims that its internal polling shows that it is only 7% behind the ruling **African National Congress (ANC)** nationally and that the **Multi-Party Charter** collectively is polling above 50% in **KwaZulu-Natal** province;

17 Nov 2023 **New York (United States)** *S&P*. **United States**-headquartered ratings agency, **S&P Global**, affirms its 'BB-/B' long- and short-term foreign currency and 'BB/B' local currency sovereign credit ratings on South Africa both with stable outlooks;

15 Nov 2023 **Pretoria (South Africa)** *News24*. **Thembisile Majola** resigns as director-general of the **State Security Agency (SSA)** in a move that will cause further disruption to the scandal-plagued intelligence agency;

15 Nov 2023 **Johannesburg (South Africa)** *News24*. Minerals and energy minister **Gwede Mantashe** gazettes a bill to establish the **South African National Petroleum Company** which will assume the operations and assets of the **Strategic Fuel Fund, PetroSA** and the **South African Gas Development Company (iGas)**;

14 Nov 2023 **Pretoria (South Africa)** *M&G*. Electricity minister **Kgosientsho Ramokgopa** is appointed as acting finance minister after **Enoch Godongwana** goes on sick leave;

14 Nov 2023 **Cape Town (South Africa)** *Business Day*. The **National Assembly** adopts a bill to legalise and regulate cannabis, more than five years after the herb was decriminalised;

14 Nov 2023 **Cape Town (South Africa)** *News24*. **United States**-headquartered tech company **Google** announces that its **Google Maps** app will no longer recommend routes through high-crime areas in South Africa even if they are the quickest means to a destination;

13 Nov 2023 **Johannesburg (South Africa)** *Daily Maverick*. Johannesburg city council speaker **Colleen Makhubele** is removed from office after she is expelled from her political party, the **Congress of the People (COPE)**, for entering into an unauthorised coalition agreement;

12 Nov 2023 **Cape Town (South Africa)** *News24*. Protestors from rival pro-**Palestine** and Pro-**Israel** demonstrations clash in Cape Town's **Sea Point** area;

12 Nov 2023 **Cape Town (South Africa)** *EWN*. Opposition party **Democratic Alliance (DA)** calls for an investigation into allegations of wasteful expenditure aboard the **Inkwazi Presidential Jet**;

11 Nov 2023 **Cape Town (South Africa)** *EWN*. Opposition party **Democratic Alliance (DA)** in the **Western Cape** elects acting provincial leader **Tertius Simmers** as the new permanent party leader in the province;

9 Nov 2023 **Johannesburg (South Africa)** *EWN*. Ruling **African National Congress (ANC)** files a *crimen injuria* case against businessman **Mthunzi Mdwaba** after he alleges senior party members attempted to solicit a bribe from him;

9 Nov 2023 **Johannesburg (South Africa) News24**. **President Cyril Ramaphosa (2018-present)** authorises the deployment of the **South African National Defence Force (SANDF)** across several provinces at a cost of R492m (\$26.23m) to help combat illegal mining syndicates;

1 Nov 2023 **Johannesburg (South Africa) Reuters**. South Africa hosts the **African Growth and Opportunity Act (AGOA)** forum this week to discuss the trade programme which is set to expire in 2025;

30 Oct 2023 **Johannesburg (South Africa) Engineering News**. **Tshokolo Petrus Nchocho**, the outgoing CEO of the **Industrial Development Corporation (IDC)**, is elected to serve as the chairman of the inaugural **Transnet National Ports Authority (TNPA)** board. He will lead TNPA's first independent board;

28 Oct 2023 **Johannesburg (South Africa) News 24**. **France**-headquartered **Financial Action Task Force (FATF)** warns that unless South Africa shows consistent improvement in the regulation of anti-money laundering and terrorist financing standards, the country will remain on its grey list;

26 Oct 2023 **Johannesburg (South Africa) News 24**. The **Development Bank of Southern Africa (DBSA)** says it is focused on engaging the private sector to achieve the infrastructure spending targets outlined in South Africa's **National Development Plan (NDP)**. In the previous fiscal year, the **DBSA** approved R25 billion (\$1.3 billion) and is now striving to enhance private sector involvement;

26 Oct 2023 **Johannesburg (South Africa) News 24**. The **World Bank** says it will loan \$1 billion to the government in support of a transition towards cleaner, renewable forms of energy. It aims to promote private investment in renewable energy and alleviate the social costs associated with decommissioning coal-fired power plants;

### About Africa Risk Consulting:

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