

## AFRICA RISK CONSULTING

### South Africa Monthly Briefing August 2021

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#### South Africa Summary 24 August 2021

*President Cyril Ramaphosa (2018-present) reshuffles his cabinet but retains or “redeploys” many underperforming ministers in order to balance a move to a capable state with faction fighting within the ruling African National Congress (ANC). Ramaphosa, appearing on behalf of the ANC at the Zondo Commission of Inquiry into State Capture, defends the use of ANC cadre deployment and says the minutes of the cadre deployment committee for the years 2012 to 2017 are “missing”. The trial of former president Jacob Zuma (2009-2018) on corruption charges is postponed to 9 September after Zuma is hospitalised for an undisclosed medical condition. The government extends the State of Disaster by another month until 15 September, moving lockdown restrictions down to Level 3, and offering vaccination against Covid-19 to adults of all ages.*

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#### Ramaphosa reshuffles his cabinet ...

Following widespread looting and riots in **Gauteng** and **KwaZulu-Natal** in July, President **Cyril Ramaphosa** (2018-present) announced in a televised address on 5 August that he had reshuffled his cabinet.<sup>1</sup> Although he acknowledged the failure of the state to protect lives and property during the insurrection, Ramaphosa’s new cabinet has failed to inspire confidence. Ramaphosa clearly weighed the need to move towards a capable state with keeping the various factions within the ruling **African National Congress (ANC)** happy. Ramaphosa noted:

*“We are unwavering in our determination to build a capable state, one which is ably led and which effectively serves the needs of the people.”<sup>2</sup>*

In all, Ramaphosa appointed ten new ministers. **Nosiviwe Mapisa-Nqakula** was dismissed from her post as defence minister, trading places with Speaker of Parliament **Thandi Modise**. To improve the functioning of state security, the state security ministry will now report directly to the president. Ramaphosa retained police minister **Bheki Cele**, the highest-ranking **Zulu** member of cabinet, in his position, and appointed a high-level panel to examine the failure of the intelligence and security forces to anticipate and react to the insurrection and suggest ways to prevent a recurrence.<sup>3</sup> Ramaphosa also replaced health minister **Zweli Mkhize**, who resigned hours before the reshuffle after he and his family were embroiled in the **Digital Vibes** scandal involving a R150m (\$10.4m) contract for **coronavirus** communications in the health ministry. Mkhize, who was health minister from 2018, has denied any involvement.<sup>4</sup> **Joe Phaahla**, the former deputy health minister, takes over as health minister.

In another surprise move, Ramaphosa replaced **Tito Mboweni** as finance minister with **Enoch Godongwana**, currently chairperson of the **Development Bank of Southern Africa**.<sup>5</sup> Godongwana holds a Master’s degree in financial economics from the **University of London (United Kingdom)** and is seen as a pragmatic economic voice and a trusted pair of hands.<sup>6</sup> As head of the ANC’s economic transformation committee, Godongwana reportedly gave voice to more centrist views in the party,

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<sup>1</sup> GCIS, 5 Aug 2021

<sup>2</sup> GCIS, 5 Aug 2021

<sup>3</sup> GCIS, 5 Aug 2021

<sup>4</sup> Aljazeera, 6 Aug 2021

<sup>5</sup> News24, 6 Aug 2021

<sup>6</sup> News24, 6 Aug 2021

voting against a resolution to amend the **Constitution** to achieve land expropriation without compensation at the ANC's **National Conference** in 2017.<sup>7</sup> Godongwana has wasted little time since his appointment as finance minister; invoking the "exceptional circumstances" provisions of Section 16 of the **Public Finance Management Act (PFMA)** "to address the impact of the recent unrest and the Covid-19 pandemic", he is seeking approval from parliament of a special appropriation bill to release R32.85 billion (\$2.17 billion) from the national coffers to help pay for Covid-19 relief grants, soldiers' deployment and to support the government's all-risk insurer, **Sasria**.<sup>8</sup>

The official opposition party, the **Democratic Alliance (DA)**, welcomed the cabinet reshuffle, but said it was a missed opportunity to reduce the size of the cabinet, one of the largest in the world.<sup>9</sup> DA leader **John Steenhuisen** called for lifestyle audits of the executive,

*"... in the light of the mounting corruption scandals that have plagued his administration".<sup>10</sup>*

**Business Unity South Africa** CEO **Cas Coovadia** similarly noted the failure to reduce the size of cabinet:

*"We remain convinced there is room for greater efficiencies. Having said this, the critical issue on implementation remains. Ministers must ensure their departments are professional and skilled to implement critical programs and convert policies to implementation."<sup>11</sup>*

### ... defending cadre deployment at Zondo Commission ...

Appearing on behalf of the ruling ANC at the **Zondo Commission of Inquiry into Allegations of State Capture** on 11 August, President Ramaphosa defended the ANC's use of cadre deployment while acknowledging that the deployment of people loyal to former president **Jacob Zuma** (2009-2018) was a key enabling method for State Capture.<sup>12</sup> Ramaphosa faced questions about the ANC's cadre deployment committee, as well as corruption at state-owned enterprises (SOEs) and his reasons for remaining in Zuma's cabinet, amid the widespread allegations of state capture involving the controversial **Gupta** family.<sup>13</sup>

Ramaphosa said the cadre deployment committee, of which he was chair, is elected to institute a particular mandate, and "we appoint people to synchronise that mandate":

*"They will have independence to execute actions, but within a broad mandate. The party plays an important role and is the standard bearer of the values that we wish to see in society."<sup>14</sup>*

Ramaphosa told the Zondo Commission that there were no deployment committee minutes for the years 2012 to 2017 when he was chair, despite the committee being responsible for making key recommendations on the appointment of party members to government and SOEs.<sup>15</sup> Noting that he had recommended Zuma to appoint **Brian Molefe** as CEO of state-owned power utility **Eskom** in 2015, Ramaphosa said he could not recall having to go through the minutes of the committee's previous meetings:

*"We always tended to deal with the issues at hand on a contemporaneous basis as they were presented."<sup>16</sup>*

<sup>7</sup> News24, 6 Aug 2021

<sup>8</sup> Daily Maverick, 24 Aug 2021

<sup>9</sup> Democratic Alliance, 5 Aug 2021

<sup>10</sup> Democratic Alliance, 5 Aug 2021

<sup>11</sup> Business Unity South Africa, 5 Aug 2021

<sup>12</sup> News24, 12 Aug 2021

<sup>13</sup> The Citizen, 12 Aug 2021

<sup>14</sup> News24, 12 Aug 2021

<sup>15</sup> The Citizen, 12 Aug 2021

<sup>16</sup> News24, 12 Aug 2021

Acting Chief Justice **Raymond Zondo** suggested that if the party or the deployment committee wants to influence the appointment of certain people within government, it should do so transparently, so that everyone knows.<sup>17</sup>

### ... as Zuma continues his Stalingrad defence

Meanwhile, former president Zuma has continued to avoid trial on corruption charges relating to a 1990s arm deal with **France**-based arms company **Thales**. Zuma was scheduled to have his day in court on 10 August, but was hospitalised on 6 August for an undisclosed medical condition. Judge **Piet Koen**, presiding over the matter before the **KwaZulu-Natal High Court in Pietermaritzburg**, postponed the matter to 9 and 10 September. Koen also directed that Zuma's doctors submit a medical report on his state of health and its implications for his trial to court by no later than 20 August, but his military doctors failed to meet this deadline.<sup>18</sup> Zuma's doctors had asked to file their report on 27 August. Zuma's advocate, **Dali Mpofu**, said during the virtual hearing of Zuma's corruption case on 10 August that his legal team would only make a decision on whether to seek a longer postponement of his trial after Zuma's doctors had compiled their report on his health.<sup>19</sup>

The **Constitutional Court** sentenced Zuma to 15 months in prison on 29 June for contempt of court after he failed to appear before the Zondo Commission (see *ARC Briefing South Africa July 2021*).<sup>20</sup> Zuma handed himself over to police in **Estcourt** (KZN) shortly before midnight on 7 July, which led to the attacks on the **N3 Mooi River** (KZN) toll plaza on 9 July and looting in other towns in KZN and Gauteng.

### Planned national shutdown on 23 August fizzles out.

A planned national shutdown that was expected to take the country by storm on 23 August seemed to have started and ended on social media platform **Twitter**. The event fizzled out in the real world with only isolated incidents reported. Gauteng police spokesperson Captain **Mavela Masondo** and **Johannesburg Metro Police** spokesperson **Xolani Fihla** described the day as "just a normal day":

*"It is quiet today. There were no disruptions."*<sup>21</sup>

There have been sporadic media reports of Twitter being used to organise a second insurrection and assault on police stations to seize arms and ammunition. Organisers of the national shutdown said the protest, initially planned for 23 August, has been postponed until further notice, given the heightened security and response from authorities. The organisers say approval for the protest was not granted in time, claiming there has been confusion around the intention of the march, with security authorities preparing for looting and riots, while the organisers say it was planned as a peaceful protest.<sup>22</sup>

### Unemployment soars in second quarter

South Africa's unemployment rate soared to a record 34.4% in the second quarter of 2021 from 23.3% in the second quarter of 2020 as the number of unemployed increased by 82.2% to 7.8 million.<sup>23</sup> The increase was largely due to definitional changes. There was a 3.7 million reduction in people who had been classified as not economically active in the second quarter of 2020 compared with the second quarter of 2021, while the number of unemployed increased by 3.5 million people over the same period.

**Statistics SA** noted that job losses in the second quarter, compared with the first quarter, were concentrated in finance, which shed 278,000 jobs, while community and social services lost 166,000 jobs and manufacturing lost 83,000 jobs. This is a normal seasonal event, as employment has

<sup>17</sup> News24, 12 Aug 2021

<sup>18</sup> Daily News, 23 Aug 2021

<sup>19</sup> Daily News, 10 Aug 2021

<sup>20</sup> Southern African Legal Information Institute, 29 Jun 2021

<sup>21</sup> The Star, 23 Aug 2021

<sup>22</sup> The Star, 23 Aug 2021

decreased in the second quarter each year since 2015.<sup>23</sup> The July insurrection may have impacted job numbers in the third quarter, but the fourth quarter normally sees an increase as manufacturing and trade gear up for Black Friday and Christmas retail events.

Announcing its decision on 22 July to keep the repo rate at 3.5%, the **South African Reserve Bank (SARB)** (central bank) **Monetary Policy Committee (MPC)** said the violence and unrest in July had caused the MPC to maintain its forecast for South Africa's economic growth in 2021 at 4.2% (see *ARC Briefing South Africa July 2021*).<sup>24</sup>

### Covid vaccination open to all adults

The government extended the State of Disaster by another month on 15 August until 15 September, moving lockdown restrictions down to Level 3 on 25 July. Restrictions are likely to be in force for the remainder of August. Curfew is in effect from 9pm to 4am. Alcohol sales are allowed, but alcohol retail sales are only permitted on Mondays to Thursdays. Gatherings are allowed, but generally may not exceed 50% of capacity, 50 people indoors or 100 outdoors, whichever is the smaller number. Night clubs are still closed, but gyms are open.<sup>25</sup>

The **Independent Electoral Commission (IEC)** has accepted the recommendation of the **Moseneke Inquiry** to postpone local government elections scheduled for 27 October until February 2022, to allow more vaccination against Covid-19 to take place (see *ARC Briefing South Africa July 2021*).<sup>26</sup> The IEC has approached the Constitutional Court to sanction the postponement. The court heard the matter on 20 August but has yet to rule on the matter. In the meantime, parties were required to submit their candidate lists to the IEC before midnight on 23 August. The process was marred by faction fighting within the ANC, where some said their choices were illegally over-ruled and protests were held outside the relevant ANC branch offices or at ANC headquarters in **Johannesburg**. Some candidates were removed in terms of the ANC's step-aside regulations, but in other cases, the provincial list committees' failure to confirm first-choice nominees sparked protest.<sup>27</sup>

The **Department of Health** has fully vaccinated the equivalent of 8.5% of South Africa's adult population against Covid-19.<sup>28</sup> As of 23 August, it had administered 10.8 million doses of Covid vaccine, with 5 million fully vaccinated. South Africa initially used the single-dose **Johnson and Johnson Janssen** vaccine in a trial test mostly for health workers, but has now moved to the **United States**-manufactured **Pfizer Bio-NTech** vaccine. Covid-19 vaccination is now open to all adults, 18 years of age and older.

To date, South Africa has recorded 2,698,605 cases of Covid-19 in its population of 60 million, with 79,584 Covid-19-related deaths and 2,455,998 recoveries, according to the **National Institute for Communicable Diseases**. The daily case load dropped to 7,632 on 23 August from a peak of 22,910 on 8 July 2021.

<sup>23</sup> Stats SA, 24 Aug 2021

<sup>24</sup> South African Reserve Bank Monetary Policy Committee statement, 22 Jul 2021

<sup>25</sup> TimesLive, 13 Aug 2021

<sup>26</sup> Independent Electoral Commission, 23 Jul 2021

<sup>27</sup> TimesLive, 23 Aug 2021

<sup>28</sup> Stats SA, 24 Aug 2021

## Planner

25 Aug 2021 **Pretoria (South Africa) Stats SA** releases rebased and benchmarked GDP data;  
 7 Sep 2021 **Pretoria (South Africa)** Second quarter GDP release;  
 21-23 Sep 2021 **Pretoria (South Africa) South African Reserve Bank (SARB)** MPC meeting;  
 27 Oct 2021 **(South Africa)** Local government elections;  
 16-18 Nov 2021 **Pretoria (South Africa) SARB** MPC meeting;  
 7-10 Feb 2022 **Cape Town (South Africa) Investing in African Mining Indaba**;  
 2024 **(South Africa)** General election

## Chronology

24 Aug 2021 **Pretoria (South Africa) Statistics South Africa. Statistics South Africa** reports South Africa's unemployment rate soared to a record 34.4% in Q2 2021 from 23.3% in Q2 2020 as the number of unemployed increased by 82.2% to 7.8 million;

23 Aug 2021 **Johannesburg (South Africa) The South African**. The "National Shutdown" fizzles out after some early morning protests in **Durban (KwaZulu-Natal)** among a heightened police presence;

23 Aug 2021 **Pretoria (South Africa) News24**. The State rejects the reasons given by former president **Jacob Zuma's** military doctors for failing to meet a 20 August court deadline to hand over their report on his fitness to stand trial for corruption;

23 Aug 2021 **Johannesburg (South Africa) BusinessTech**. The **Financial Sector Conduct Authority (FSCA)** has suspended the exchange licence of stock exchange **ZAR X** over liquidity and capital adequacy concerns giving the exchange three months to get its affairs in order or face having its licence cancelled;

18 Aug 2021 **Pretoria (South Africa) Statistics South Africa**. Consumer inflation eased to 4.6% year-on-year (y/y) in July from 4.9% y/y in June, with annual inflation for goods and for services 6.7% (7.1%) and 2.7% (2.9%) respectively;

13 Aug 2021 **Pretoria (South Africa) Government Gazette**. The **Department of Mineral Resources and Energy** gazettes a new Schedule 2 of the **Electricity Regulation Act**, meaning energy intensive companies can go ahead with their own electricity generation plants of less than 100 MW;

12 Aug 2021 **Johannesburg (South Africa) News24**. President **Cyril Ramaphosa**, the final witness before the **Zondo Commission of Inquiry into State Capture**, fails to say why he appointed certain politicians to office despite serious allegations against them;

10 Aug 2021 **Pietermaritzburg (South Africa) News24**. Judge **Piet Koen** postpones the corruption trial of former president **Jacob Zuma** to 9 and 10 September following his hospitalisation for undisclosed medical reasons on 6 August and directs that Zuma's doctors submit the medical report to the court by no later than 20 August;

8 Aug 2021 **Lephalale (South Africa) Eskom**. An explosion at **Medupi Power Station's** Unit 4 generator causes extensive damage and repairs could take two years;

5 Aug 2021 **Pretoria (South Africa) The Presidency**. President **Cyril Ramaphosa** reshuffles his cabinet after the failure of his ministers to anticipate and respond to the July insurrection;

5 Aug 2021 **Paarl (South Africa) NKC Economics**. The **South African Recovery Tracker (SART)** fell to 87.9 in July from 90.9 in June and 91.2 in May, indicating that the riots and lockdown had an impact on mobility and retail sales;

4 Aug 2021 **Midrand (South Africa)** *Business Day*. The **Development Bank of Southern Africa (DBSA)** says it will put \$200m into first-loss funding for companies wishing to build their own solar photovoltaic (PV) and wind generation facilities;

2 Aug 2021 **Stellenbosch (South Africa)** *Bureau for Economic Research*. The **Bureau for Economic Research (BER)** reports the manufacturing index slumped to 43.5 in July from 57.3 in June;

2 Aug 2021 **Johannesburg (South Africa)** *Nedbank*. The number of capital projects larger than R20m (\$1.32m) announced in the first half of 2021 was 28 with a value of R117.7 billion (\$7.78 billion), while private sector share in the value of projects dropped to 31%, the lowest share since 2011;

31 Jul 2021 **Johannesburg (South Africa)** *Eskom*. All six units of **Medupi Power Station** reach commercial operation;

30 Jul 2021 **Pretoria (South Africa)** *National Treasury*. The fiscal balance swung to a R63.1 billion (\$4.17 billion) surplus in June 2021 from a R22.3 billion (\$1.47 billion) deficit in June 2020;

30 Jul 2021 **Pretoria (South Africa)** *South African Revenue Service*. The foreign trade surplus rose to a new record of R57.7 billion (\$3.8 billion) in June from R54.4 billion (\$3.6 billion) in May;

26 Jul 2021 **Pretoria (South Africa)** *Daily Maverick*. The majority of public sector unions accept a pay offer of a 1.5% increase and a non-pensionable cash offer of between R1,220 (\$80.63) and R1,695 (\$112.03) per month;

### About Africa Risk Consulting:

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