

AFRICA RISK CONSULTING

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South Africa Summary 23 May 2021

Former president Jacob Zuma (2009-2018) continues his “Stalingrad” defence against allegations of corruption regarding a 1990s arm deal with France-based arms company Thales. Zuma now seeks the recusal of lead prosecutor Billy Downer and his trial is postponed to 26 May. Ruling party African National Congress (ANC) secretary general Ace Magashule takes the ANC to court to challenge his suspension. The government tables a once-off 1.5% salary adjustment and a monthly cash bonus of R978 (\$70) after repeatedly insisting that South Africa’s 1.3 million public servants would not get salary increases or adjustments at all over the next three years. The South African Reserve Bank (central bank) keeps the repo rate steady at 3.5% for the fifth consecutive time at its Monetary Policy Committee (MPC) meeting. The government starts Phase 2 of its Covid-19 vaccination plan and extends the State of Disaster by yet another month until 15 June.

Zuma continues delaying tactics ...

Day one of former president **Jacob Zuma’s** (2009-2018) corruption trial stalled on 17 May with Zuma’s legal team demanding the recusal of **Billy Downer** as lead prosecutor.¹ Zuma has been mounting a so-called “*Stalingrad*” defence since 2005 when he was first implicated in corruption allegations regarding a 1990s arms deal with **France**-based arms company **Thales**. His legal team submitted a 141-page document outlining his special plea explanation.

Zuma is facing one count of racketeering, two counts of corruption, one count of money laundering and 12 counts of fraud. He is accused of receiving 791 payments, totalling R4.1m (\$295,000), between 1995 and 2004 from his former financial/economic advisor, **Schabir Shaik**, and Shaik’s companies, to help Thales, the second defendant, secure lucrative defence contracts from the government as part of the country’s multi-billion rand 1999 armaments deal. Downer was part of the original team that successfully secured Shaik’s conviction in 2005.

This is not the first time Zuma has sought to have the veteran prosecutor removed from a case that is almost 20 years in the making, claiming that Downer has

“... wittingly or unwittingly turned the prosecution into a personal legacy project of his own rather than a pursuit for justice based on an impartial and independent mind”.¹

The trial has been postponed to 26 May.

... while Magashule takes ANC to court

The decision by suspended ruling **African National Congress (ANC)** secretary general **Ace Magashule** on 13 May to take the ANC to court has reportedly taken President **Cyril Ramaphosa** (2018-present) by surprise.² Magashule is facing corruption charges relating to a contract to identify homes with asbestos roofs in the **Free State**. The ANC, at its 2017 national conference, resolved that any representative (elected or employed) who was criminally charged should step aside.² The ANC’s **Integrity Commission** decided in mid-December that Magashule should step down pending the outcome of the corruption case against him.³ To date, Magashule has dodged the order to

¹ Daily Maverick, 21 May 2021

² Daily Maverick, 30 Mar 2021

³ Business Day, 15 Dec 2020

step aside, arguing that he can only be instructed to do so by a conference of branches that elected him.⁴ The NEC convened for four days from 26-29 March, at the end of which it gave Magashule 30 days to step aside from his role or face suspension and disciplinary action by the party (see *ARC Briefing South Africa April 2021*).⁵

Ramaphosa said Magashule should be “*the last person*” to question the constitutionality of the ANC’s step-aside resolution:

“For the Secretary-General to decide and take his own organisation to court and to question the constitutionality of the very constitution that he’s been implementing and adhering to is a big surprise.”⁶

Magashule has requested a court date of 1 June. He is unlikely to succeed in his legal bid, with an appeal against a negative ruling further delaying his suspension from the party.⁷

Mboweni sticks to his guns on public service wage increases

Tabling his budget speech in Parliament on 20 May, finance minister **Tito Mboweni** reiterated that he will not give way on curbing civil service wage increases.⁸ The statement appears to fly in the face of the government’s tabling on 17 May of a once-off 1.5% salary adjustment and a monthly cash bonus of R978 (\$70) after repeatedly insisting that South Africa’s 1.3 million public servants would not get salary increases or adjustments at all over the next three years.⁹ However, the government is likely keen to avoid strike action in the lead-up to October local elections. Trade unions responded to the earlier threat of wage freezes with warnings of possible strike action (see *ARC Briefing South Africa April 2021*).

Mboweni noted that there were some “*green shoots*” in the economy, but for them to grow further, the government needs to maintain fiscal discipline and implement economic reforms:

*“Taking this opportunity will depend on our ability to implement, in a very serious way, domestic economic reforms. At the same time, there are many risks to the outlook, including the on-going **Covid-19** pandemic, uncertainty about the sustainability of emerging market debt in a period of rising global interest rates and our domestic electricity constraints.”¹⁰*

Mboweni has made controlling the public service wage bill one of his primary objectives since his appointment in October 2018. The treasury noted in the February budget that over the past decade, increased government spending has failed to promote growth (see *ARC Briefing South Africa April 2021*).¹¹ A major part of the rise in government spending has been the 51% increase in the real cost of the public-service wage bill since 2008.

Reserve Bank keeps repo rate steady, but raises GDP growth forecast

The **South African Reserve Bank** (central bank) kept the repo rate steady at 3.5% for the fifth consecutive time at its Monetary Policy Committee (MPC) meeting on 20 May.¹² In reporting the MPC’s decision, SARB governor **Lesetja Kganyago** noted that inflation expectations remain stable. The MPC expects inflation to be contained in 2021, before rising to around the midpoint of the inflation target range in 2022 and 2023:

⁴ Daily Maverick, 30 Mar 2021

⁵ Daily Maverick, 30 Mar 2021

⁶ eNCA, 23 May 2021

⁷ Source, ARC South Africa analyst

⁸ Cape Argus, 20 May 2021

⁹ Daily Maverick, 17 May 2021

¹⁰ Cape Argus, 20 May 2021

¹¹ Budget Review, 24 Feb 2021

¹² South African Reserve Bank MPC Statement, 20 May 2021

“Headline consumer price inflation averaged 33% in 2020. The forecast for 2021 is slightly lower at 4.2% (down from 4.3%) and for 2022 and 2023 unchanged at 4.4% and 4.5%, respectively.”¹³

Kganyago also noted that the stronger growth forecast for 2021 reflects better sectoral growth performances and more robust terms of trade in the first quarter of this year. The SARB’s forecast for global growth in 2021 now sits at 6.0%, in line with that of the **International Monetary Fund (IMF)**, which in April revised its forecast for global gross domestic product (GDP) for 2021 up to 6%. The SARB expects South Africa’s economy to grow by 4.2% in 2021 (up from 3.8%):

“Despite rising oil prices and a higher total import bill, commodity prices have risen to new highs, strengthening income gains to the economy. Household spending is expected to be healthy this year, in line with the easing of lockdown restrictions and low interest rates.”¹⁴

In April, the number of full containers imported jumped by 27% from a year ago as manufacturers and retailers re-stocked depleted inventories, caused in part by global supply chain disruptions following the outbreak of the Covid-19 pandemic.⁶ The **MV Cool Eagle**, the world’s largest reefer ship, made its first call at the port of **Durban (KwaZulu-Natal Province)** on 14 May to help load citrus exports. The **Citrus Growers Association of South Africa (CGA)** expects an 11.6% increase to 163 million cartons of citrus during the 2021 export season.¹⁵ The number of full containers exported from South Africa surged by 50.2% year on year in April, but is up only 6.8% from April 2019.¹⁶

Phase Two Covid-19 vaccine rollout begins

The government opened the portal on 16 April for the second phase of its Covid-19 vaccine rollout, which targets vulnerable citizens and those over 60.⁹ The second phase of vaccination began on 17 May. The first phase, for health workers, was marred by a slow rollout and concerns about the efficacy of the vaccines against the South African coronavirus variant.

The government on 15 May extended the national state of disaster by one month to 15 June.¹⁷ The state of disaster has been extended several times since it was first proclaimed on 15 March 2020. South Africa currently has Level 1 restrictions, which involve a midnight to 4am curfew. Nightclubs remain closed. Establishments such as shops, restaurants and banks are limited to half their regular capacity in their establishments. Masks are mandatory in public places.¹⁸

Other countries have imposed a total of 84 “major restrictions” on South Africa. These include full suspension on travel from South Africa, or refusal of entry from South Africa, or entry only possible for citizens or those who meet strict entrance requirements. By comparison, there are currently 68 moderate restrictions in place on South Africa, where travel is possible, but only if travellers meet certain entry requirements such as taking Covid-19 tests. The **Dominican Republic** and **Costa Rica** have “low-risk restrictions”, meaning that travellers are unlikely to face enforced quarantine periods.¹⁹

South Africa reported its first case of Covid-19 on 5 March 2020. As of 22 May 2021, it has reported 1,632,571 cases in its population of 60 million.¹⁰ The seven-day average is rising from the 2021 low of 779 in the seven days ending 7 April, reaching 3,061 in the seven days ending 22 May, but remains well below the peak of 19,042 in the seven days ending 11 January.

¹³ South African Reserve Bank MPC Statement, 20 May 2021

¹⁴ South African Reserve Bank MPC Statement, 20 May 2021

¹⁵ Citrus Growers Association, 14 May 2021

¹⁶ TPNA, 14 May 2021

¹⁷ South African Government News Agency, 13 May 2021

¹⁸ Department of Cooperative Governance and Traditional Affairs, 23 Apr 2021

¹⁹ Business Tech, 19 Apr 2021

Planner

25 May 2021 **(South Africa) Africa Day;**
 26 May 2021 **(South Africa)** Corruption trial of former president **Jacob Zuma** resumes;
 8 Jun 2021 **Pretoria (South Africa) Stats SA First Quarter 2021** GDP release;
 12 Jun 2021 **(South Africa) Judicial Service Commission (JSC)** will hear why Judge **Willie Seriti** chose to ignore 3.4 million pages of documentation of evidence relating to the arms deal;
 16 Jun 2021 **(South Africa) Youth Day**
 30 Jun 2021 **Pretoria (South Africa) South African Reserve Bank (SARB)** centenary;
 17-18 Jul 2021 **Pretoria (South Africa)** Registration of voters for local government elections;
 20-22 Jul 2021 **Pretoria (South Africa) SARB MPC** meeting;
 21-23 Sep 2021 **Pretoria (South Africa) 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

22 May 2021 **Cape Town (South Africa) Democratic Alliance.** Opposition party **Democratic Alliance** leader **John Steenhuisen** launches the party's local government election campaign via a virtual meeting, saying the power lies with the people not the corrupt;

21 May 2021 **Durban (South Africa) Daily News.** **Supreme Court of Appeal (SCA)** dismisses with costs **Gupta**-owned **Oakbay Investments'** challenge to the **North Gauteng High Court's** refusal of its bid to have **Johan Louis Klopper** and **Kurt Robert Knoop** removed as business rescue practitioners of **Tegeta Exploration and Resources**, another of the controversial family's companies;

20 May 2021 **Cape Town (South Africa) Cape Argus.** Finance minister **Tito Mboweni** says there are some "green shoots" on the economic horizon, but economic reforms need to be implemented to make the recovery sustainable;

20 May 2021 **Pretoria (South Africa) SABC News.** Opposition **Democratic Alliance** loses in four of the 10 wards it contested in by-elections held on 19 May, while the ruling **African National Congress (ANC)** retains 27 of the 40 wards, loses one and wins three new wards; minor opposition **Patriotic Alliance** wins two new wards, and **Inkatha Freedom Party (IFP)** retains one ward and wins another;

19 May 2021 **Stellenbosch (South Africa) Daily Maverick.** **Netherlands**-headquartered brewing company **Heineken** says it is in talks with South Africa's leading alcohol producer, **Distell**;

19 May 2021 **Pretoria (South Africa) Statistics South Africa.** Consumer inflation rose to 4.4% y/y in April from 3.2% y/y in March and 2.9% y/y in February, with annual inflation for goods and for services 6.4% and 2.7% respectively; Provincial annual inflation rates ranged from 4.2% in **Mpumalanga** and **Northern Cape** to 4.9% in the **North West**;

17 May 2021 **Pietermaritzburg (South Africa) Business Day.** Proceedings in the corruption trial of former president **Jacob Zuma** are adjourned until 26 May after Zuma sought the recusal of lead prosecutor **Billy Downer**;

17 May 2021 **Pretoria (South Africa)** *Daily Maverick*. The government tables a 1.5% once-off salary adjustment and a monthly cash bonus of R978 (\$70) after repeatedly insisting that South Africa's 1.3 million public servants would not get salary increases or adjustments at all over the next three years;

15 May 2021 **Cape Town (South Africa)** *Independent Online*. A group of protesters forming part of the **Worldwide Rally for Freedom** has a standoff with police who tried to stop their protest against the mandatory use of masks, lockdown restrictions and Covid-19 vaccination;

14 May 2021 **Makhanda (South Africa)** *Grocott's Mail*. **Makhanda Municipality** becomes the first South African municipality to be accepted into the **Open Government Partnership (OGP)** network of 79 countries and 76 local governments;

14 May 2021 **Johannesburg (South Africa)** *Reuters*. Ruling **African National Congress (ANC)** secretary-general **Ace Magashule** takes President **Cyril Ramaphosa** to court, asking the court to declare the ANC's so-called "step-aside" rule as unlawful, unconstitutional and invalid;

13 May 2021 **Pretoria (South Africa)** *Cape Argus*. The **Electoral Commission** says the weekend of 17 and 18 July will be the last weekend that South Africans will be able to register to vote in October's local government election without having to go to an Electoral Commission office;

11 May 2021 **Johannesburg (South Africa)** *702 Talk Radio*. Judges **Willie Seriti** and **Hendrick Musi**, appointed by former president Jacob Zuma in 2011 to investigate the R150m (\$10.8m) "arms deal", are facing investigation for "incapacity and gross misconduct";

10 May 2021 **Johannesburg (South Africa)** *Daily Maverick*. **African National Congress (ANC) National Working Committee** has instructed suspended ANC secretary-general **Ace Magashule** to publicly apologise to the ANC for his attempt to suspend President **Cyril Ramaphosa** on 4 May;

9 May 2021 **Johannesburg (South Africa)** *Daily Maverick*. Judgment in the judicial review of the Mining Charter's third version is reserved as mining companies and the government remain at loggerheads over the issue of "Once empowered, always empowered", an impasse that is seen as a key deterrent to investment;

8 May 2021 **Durban (South Africa)** *Deutsche Welle*. The will of recently deceased **Zulu** queen regent **Shiyiwe Mantfombi Dlamini Zulu** names Prince **Misuzulu Zulu**, eldest son of late **Zulu** King **Goodwill Zwelithini**, the next king of the Zulus;

7 May 2021 **Makhanda (South Africa)** *Grocott's Mail*. President **Cyril Ramaphosa** says over 100 countries now support a proposal by **South Africa** at the **World Trade Organisation (WTO)** to waiver specific **Trade Related Aspects of Intellectual Property Rights (TRIPS)** obligations related to the manufacturing of **Covid-19** vaccines;

6 May 2021 **Johannesburg (South Africa)** *The Star*. **Zulu** queen regent **Mantfombi Dlamini Zulu** is buried amid fears of fresh tensions in the Zulu monarchy;

6 May 2021 **Johannesburg (South Africa)** *702 Talk Radio*. Judge **Sisi Khampepe** is announced as chief justice to replace with immediate effect **Mogoeng Mogoeng**, who will retire at the end of six months on long leave;

4 May 2021 **Johannesburg (South Africa)** *Daily Maverick*. Ruling **African National Congress (ANC) National Working Committee (NWC)** tells ANC secretary general **Ace Magashule** that party members who face criminal charges must step aside in a decision that affects about 30 other party members also facing criminal charges;

4 May 2021 **Cape Town (South Africa)** *Daily Maverick*. Acting **Western Cape High Court**

Judge **M Pangarker** fines Western Cape Judge President **John Hlophe's** lawyer, **Barnabas Xulu**, after finding him in contempt of court, and gives him a suspended prison sentence;

27 Apr 2021 **London (United Kingdom)** *Cape Talk*. The **United Kingdom (UK)** has imposed sanctions on 22 individuals, including the **Gupta** brothers and their business associate, **Salim Essa**, under its new global anti-corruption regime;

27 Apr 2021 **Johannesburg (South Africa)** *EWN*. Opposition **Economic Freedom Fighters (EFF)** leader **Julius Malema** claims that the “*sudden*” announcement of the date of the October local government elections was meant to catch the EFF and other parties “*off guard*”, after discussions with the government about the possible postponement of the elections due to the **Covid-19** pandemic;

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