

AFRICA RISK CONSULTING

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South Africa Summary 22 September 2021

Local government elections will be held on 1 November after the Constitutional Court dismisses the Independent Electoral Commission (IEC) application to have the elections postponed to 2022 due to the Covid-19 pandemic. The new date allows the ruling African National Congress (ANC) to submit its candidate list before 20 September after it had failed to register its candidates in more than 90 municipalities by the previous August deadline. Only three out of South Africa's more than 500 political parties disclose their funding to the IEC in the first report on party political funding. Former president Jacob Zuma (2009-2018) is freed from prison on 5 September after serving only two months of his 15-month sentence for contempt of the Constitutional Court, which dismisses his appeal against that sentence. His lawyers will now appeal to the African Court on Human and Peoples' Rights, claiming abuse of Zuma's human rights. South Africa's economy was 11% larger in 2020 than previously estimated, while second-quarter GDP growth of 19.3% year-on-year is better than expected, prompting some economists to raise their 2021 GDP forecast. South Africa moves to Lockdown Level 2 as Covid-19 cases recede from their July third-wave peak. Around 14% of South Africa's adult population is now fully vaccinated against Covid-19.

Local government elections will be held on 1 November ...

The **Constitutional Court** on 3 September dismissed an application by the **Independent Electoral Commission (IEC)** to postpone local government elections to 2022 due to the **Covid-19** pandemic.¹ The court ordered that the elections should be held between 27 October and 1 November. Cooperative governance minister **Nkosazana Dlamini-Zuma** announced on 10 September that the local government elections will now take place on 1 November 2021.²

The IEC said the new date would give parties the opportunity to submit their candidates by 20 September, allowing the ruling **African National Congress (ANC)** to finalise its candidate list, having failed to submit candidates in more than 90 municipalities by the previous deadline. The official opposition, the **Democratic Alliance (DA)**, and the **Economic Freedom Fighters (EFF)** had referred the matter to the Constitutional Court as they said the IEC had previously not allowed other parties any leeway if they missed the deadline to submit candidate lists. The Constitutional Court dismissed their application.

The IEC reported on 14 September that only three of South Africa's over 500 registered political parties had declared their finances to the electoral body in terms of the **Political Party Funding Act**, which came into effect on 1 April.³ These were the ANC, the DA and minor opposition party **ActionSA**. In terms of the Political Party Funding Act, parties are required to declare donations above R100,000 (\$6,790).⁴ Civic organisation **My Vote Counts** spokesperson **Sheilan Clarke** said more transparency is necessary:

¹ Bloomberg, 3 Sep 2021

² Department of Cooperative Governance and Traditional Affairs, 10 Sep 2021

³ Business Day, 14 Sep 2021

⁴ Business Day, 14 Sep 2021

*"It is very concerning that only three parties managed to disclose their funding. We are in an election year and to contest elections, it is quite pricey. It is therefore difficult to understand how some parties did not get to R100 000 (\$6,790)."*⁵

The legislation provides that parties failing to provide financial disclosure will not be entitled to receive further funding from the IEC, Parliament and the legislatures until they are in compliance.⁶ **Congress of South African Trade Unions (Cosatu)** parliamentary officer **Matthew Parks** also expressed his disappointment that several political parties failed to meet their statutory obligations, noting the legislation applies to all political parties:

*"Failure to comply with its provisions is a criminal offence with sanctions set out in law. While all new legislation experiences teething problems when it comes to initial implementation, defiance by the political parties is not acceptable."*⁷

Organisation Undoing Tax Abuse (OUTA) chairperson **Wayne Duvenage** questioned how the IEC planned to enforce compliance:

*"From this information, we can now also start to see trends and unpack the reality of the political parties and to what extent they may be relying on unreported revenue flows, which might suggest the extent to which parties are financed through corruption."*⁸

... as Zuma continues to delay his trial

Meanwhile, former president **Jacob Zuma** (2009-2018) 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 (see *ARC Briefing South Africa August 2021*). He was granted medical parole on 5 September after completing only two months of his 15-month sentence for contempt of the Constitutional Court.⁹

The Constitutional Court also dismissed his application to have his contempt of court sentence set aside. Zuma's lawyers will now appeal to the **African Court on Human and Peoples' Rights**, claiming that being sent to prison without a fair trial or a way to appeal infringes his human rights and is in contravention of both **African** and international human rights.¹⁰

Second quarter GDP growth better than expected

Statistics SA reported on 7 September that South Africa's economy grew by a real (constant 2015 rand) 19.3% year-on-year in the second quarter.¹¹ This was better than the consensus forecast of a 17.8% increase and took GDP growth to 7.5% in the first half of 2021 compared with the same period in 2020. The better-than-expected GDP growth figure prompted **Old Mutual** economist **Johann Els** to raise his forecast for 2021 GDP growth to 5.6% from a previous 5.0%.¹²

Nominal GDP growth jumped to 26.6% year-on-year in the second quarter from a revised 3.2% (1.8%) year-on-year increase in the first quarter.¹³ This is the measure that determines the tax take and explains why there was a better-than-expected increase in government revenue in the second quarter.

Wages grew by 14.1% year-on-year in the second quarter after a 0.7% year-on-year gain in the first quarter, while the gross operating surplus soared by 36.9% year-on-year after a 6.0% year-on-year increase in the first quarter. The gross operating surplus jump explains to a certain extent the

⁵ Business Day, 14 Sep 2021

⁶ Business Day, 14 Sep 2021

⁷ Business Day, 14 Sep 2021

⁸ Business Day, 14 Sep 2021

⁹ Polity, 5 Sep 2021

¹⁰ ENCA, 20 Sep 2021

¹¹ Stats SA, 7 Sep 2021

¹² Email from Johann Els Old Mutual, 8 Sep 2021

¹³ Stats SA, 7 Sep 2021

recovery of gross fixed capital formation, which had a quarterly growth in the second quarter and is now up 16.1% year-on-year after 12 quarters of year-on-year declines.

Covid lockdown drops a level as State of Disaster continues

The government extended the **State of Disaster** by another month on 15 September until 15 October, moving lockdown restrictions down to Level 2 on 13 September.¹⁴ Key changes include a shortened curfew, now starting at 23h00 and ending at 04h00. Non-essential services such as restaurants, bars, and gyms will need to close at 22h00 to allow patrons and staff to return home before the curfew starts. Offsite retail alcohol sales are now permitted on weekdays, but weekend sales are still prohibited. The restriction on the number of people allowed at gatherings is significantly relaxed. For indoor events, the limit rises to 250 from the previous 50. For outdoor gatherings, it increases to 500 from 100.

The **Department of Health** has fully vaccinated the equivalent of 13.8% of South Africa's adult population against Covid-19.¹⁵ As of 21 September, it had administered 16.4 million doses of Covid vaccine, with 8.1 million fully vaccinated. Covid-19 vaccination is now open to all adults, 18 years of age and older.

To date, South Africa has recorded 2,886,331 cases of Covid-19 in its population of 60 million, with 86,376 Covid-19-related deaths and 2,743,865 recoveries, according to the **National Institute for Communicable Diseases**. The daily caseload dropped to 1,504 on 20 September from a peak of 22,910 on 8 July.

¹⁴ Department of Cooperative Governance and Traditional Affairs, 15 Sep 2021

¹⁵ National Institute for Communicable Diseases, 22 Sep 2021

Planner

21-23 Sep 2021 **Pretoria (South Africa) South African Reserve Bank (SARB) MPC meeting;**
 1 Nov 2021 **(South Africa) Local government elections;**
 4 Nov 2021 **Cape Town (South Africa) Medium Term Budget Policy Statement;**
 16-18 Nov 2021 **Pretoria (South Africa) SARB MPC meeting;**
 9-12 May 2022 **Cape Town (South Africa) Investing in African Mining Indaba;**
 2024 **(South Africa) General election**

Chronology

21 Sep 2021 **Pretoria (South Africa) Daily Maverick.** The **Pretoria High Court** rules that once a mining company is empowered, it is always empowered and finds that the **Minister of Mineral Resources and Energy** is not empowered to make law;

21 Sep 2021 **Pretoria (South Africa) Engineering News.** The **National Union of Metalworkers of South Africa (Numsa)** announces that it will embark on a national strike in the engineering sector from 5 October, after a deadlock in wage talks;

21 Sep 2021 **Pietermaritzburg (South Africa) Al Jazeera.** Former President **Jacob Zuma**, facing corruption charges over a \$2.5 billion arms deal in the late 1990s, fails to appear in court; Prosecutors argue that ill health does not justify his absence;

21 Sep 2021 **Pretoria (South Africa) Business Day.** Only 1.7 million people register to vote over the 18/19 September weekend compared with 3 million in the same period in 2016;

20 Sep 2021 **Pretoria (South Africa) ENCA.** Former president **Jacob Zuma** will appeal to the **African Court on Human and Peoples' Rights** as his lawyers argue that being sent to prison without a fair trial or a way to appeal infringes his human rights and is in contravention of both **African** and international human rights;

14 Sep 2021 **Pretoria (South Africa) Engineering News.** **South African** government launches an online **Business Loss Portal** for the registration of businesses that were affected by the unrest that took place from 9-19 July in **KwaZulu-Natal, Gauteng** and other areas in the country;

14 Sep 2021 **Johannesburg (South Africa) Business Day.** **Western Cape** judge president **John Hlophe** will ask the **High Court** to declare unlawful the meeting at which his guilt was decided and to stay Parliament's impending impeachment process against him and the process for his suspension by President **Cyril Ramaphosa**;

14 Sep 2021 **Johannesburg (South Africa) Bloomberg.** Only three parties, the **African National Congress (ANC)**, the **Democratic Alliance (DA)** and **ActionSA**, among over 500 registered parties, have declared their donors in the first disclosures of private income from April to June since the **Political Party Funding Act** came into effect on 1 April;

13 Sep 2021 **Johannesburg (South Africa) Business Day.** **Insurance Claims Africa (ICA)**, the public loss adjuster spearheading the fight to get **Covid-19**-related business interruption claims settled, says the **SA Special Risks Insurance Association (Sasria)** must make 30% interim payments to riot-affected clients;

12 Sep 2021 **Pretoria (South Africa) The Presidency.** South Africa will move from Level 3 to Level 2 lockdown on 13 September.

10 Sep 2021 **Pretoria (South Africa) News24.** Cooperative governance minister **Nkosazana Dlamini Zuma** announces that local government elections will take place on 1 November;

7 Sep 2021 **Pretoria (South Africa) Statistics South Africa.** **Statistics South Africa** reports

that South Africa's economy grew by 19.3% year-on-year in the second quarter after a 2.6% y/y drop in the first quarter;

5 Sep 2021 **Pretoria (South Africa)** *Polity*. Former president **Jacob Zuma** is released on medical parole after serving only two months of his 15-month sentence for contempt of court;

3 Sep 2021 **Johannesburg (South Africa)** *Bloomberg*. The **Constitutional Court** dismisses an application by the **Independent Electoral Commission (IEC)** to delay local government elections to 2022, saying the election must take place between 27 October and 1 November 2021;

25 Aug 2021 **Johannesburg (South Africa)** *Business Day*. The **Judicial Service Commission (JSC)** recommends impeachment for **Western Cape** judge president **John Hlophe**, with eight members voting to find him guilty and four voting against;

25 Aug 2021 **Pretoria (South Africa)** *Statistics South Africa*. **Statistics South Africa** reports that South Africa's economy in 2020 was 11% larger than previously estimated after a rebasing and benchmarking exercise;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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