

## AFRICA RISK CONSULTING

### South Africa Monthly Briefing August 2023

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#### South Africa Summary 25 August 2023

*Seven opposition parties agree to form the Multi-Party Charter for South Africa on 17 August, outlining a platform for a post-election opposition agreement. However, this coalition agreement will only be of value should the ruling African National Congress (ANC) lose its governing majorities in more provinces or the National Assembly. South Africa hosts the BRICS Summit between 22 and 24 August under heightened foreign policy scrutiny. President Cyril Ramaphosa (2018-present) manages to navigate the conference without exacerbating tensions with South Africa's Western partners. Statistics South Africa (StatsSA) releases its latest Quarterly Labour Force Survey on 15 August. The survey shows that official unemployment decreased marginally to 32.6% but that real unemployment remains high at 42.1%, once again highlighting the unemployment crisis. The City of Cape Town experiences a violent and disruptive minibus taxi strike, with several sectors of the city's economy essentially suspended due to the absence of worker transport.*

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#### Opposition parties announce coalition charter

Seven opposition parties announced the formation of the **Multi-Party Charter for South Africa** on 17 August following a two-day conference in **Ekurhuleni (Johannesburg)**.<sup>1</sup> The conference was attended by the leaders of the **Democratic Alliance (DA), ActionSA, Vryheid Front (VF) Plus, Inkatha Freedom Party (IFP), United Independent Movement (UIM), Independent SA National Civic Organisation (ISANCO)** and the **Spectrum National Party (SNP)**. Historically, only the DA, ActionSA, VF Plus, and IFP have proven to be electorally viable.

The conference was the brainchild of DA leader **John Steenhuisen** who had been advocating for a so-called '**Moonshot Pact**' of opposition parties to unseat the ruling **African National Congress (ANC)** from power since April.<sup>2</sup> Steenhuisen believes that the country's opposition parties will be better positioned to remove the ANC from power in more provinces, and potentially even nationally if they improve cooperation. In addition, the creation of such an alliance would place these parties in a better position to navigate coalition agreements and form more stable governments in the event of hung legislatures in the wake of the 2024 national and provincial elections.

The eventual agreement was renamed the Multi-Party Charter for South Africa at the behest of the other political parties as they sought to distance themselves from the term Moonshot Pact as it was viewed as too associated with the DA. This renaming of the project is the first indicator that the DA was ready to compromise on its role and influence in alliance to secure an agreement.

The eventual agreement released by the charter did not include any pledge by the parties to work together ahead of the election and specifically stated that the various parties would independently contest the general election.<sup>3</sup> However, the agreement has laid out key principles and priorities that will guide future coalition governments and agreements, including decentralising power to the "*lowest effective level of government*". This has long been a key goal of the DA which wishes to increase the powers and responsibilities of the country's provincial and local governments – particularly the ones which it governs. Another desirable point secured by the DA and the VF Plus was making the principle of non-racialism a key governing principle. The principle of non-racialism is the organising

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<sup>1</sup> Daily Maverick, 17 Aug 2023

<sup>2</sup> 702, 12 Apr 2023

<sup>3</sup> ActionSA, 18 Aug 2023

argument on which the DA and VF Plus base their opposition to affirmative action policies such as employment equity and black economic empowerment (BEE).

A significant concession by the DA was its agreement to the principle that the position of president would not necessarily go to the largest party in the coalition. This was always going to be a dealbreaker for any other party, due to both the refusal to forgo any claim to the presidency for coalition members and Steenhuisen's general unpopularity with the electorate at large. Other members of the charter would undermine their electoral chances if a vote for them was considered a vote for a Steenhuisen presidency. However, the DA did achieve an important consolation in return for this - the leader of the largest party in any coalition would hold the position of **Leader of Government Business**. This ensures that whichever is the largest party in a possible coalition - most likely the DA - would be able to drive the legislative and governing agenda.

The DA also dropped its opposition to inviting other political parties to join the charter; in particular, the party submitted to ActionSA's calls to invite the **Patriotic Alliance (PA)** to join the agreement.<sup>4</sup> The PA has proven themselves to be an unreliable partner in local government coalitions regularly swapping support to whichever grouping offered it the better deal. This has resulted in the DA refusing to work with them in the **City of Johannesburg** and the City of Ekurhuleni. However, the PA is a growing electoral force and could potentially play the role of kingmaker in provinces such as **Gauteng** and the **Northern Cape** in 2024. Should the PA agree to join the Multi-Party Charter for South Africa it would have to renounce its current partnerships with the ANC which would force a change in the Johannesburg mayoralty once again. However, it should be noted that the ANC and the **Economic Freedom Fighters (EFF)** have been expressively excluded from any offers of cooperation.

The formation of the Multi-Party Charter for South Africa does strengthen the opposition's position going into the 2024 general election but is truly only relevant should the ANC's support fall sufficiently (approximately 5%) below the 50% mark. Although the ruling party is experiencing declining support, such a development is still unlikely at a national level. Nevertheless, this alliance could prove impactful at a provincial level, especially in the provinces of Gauteng and **KwaZulu-Natal** where the ANC is most likely to experience its biggest declines in support.

It should also be noted that by forming an alliance which expressly excludes the EFF, the member parties of the Multi-Party Charter for South Africa may inadvertently be forcing the EFF and ANC closer together, increasing the likelihood that the EFF will enter government if the ANC falls below the 50% majority threshold.

### South Africa navigates BRICS Summit without major incident

South Africa hosted the **15<sup>th</sup> Heads of State and Government Summit of the BRICS (Brazil, Russia, India, China, South Africa)** bloc from 22 to 24 August in **Sandton** (Johannesburg) attended by the leaders of the five member states, with the notable exception of Russian President **Vladimir Putin** (2012-present), but also at least 22 other heads of state as observers and participants in sideline events.<sup>5</sup>

South Africa hosted the summit during a time when its foreign policy was under increased global scrutiny. This is largely due to the country's perceived pro-Russia stance and increasing anti-**Western** sympathies. South African President **Cyril Ramaphosa** (2018-present) actively sought to assuage these concerns in a public address on the country's foreign policy on 20 August during which he reiterated the country's policy of non-alignment.<sup>6</sup> Ramaphosa used his address to both highlight the country's ties with the BRICS bloc but also its close relations with the West, highlighting that the country is set to host both the **European Union (EU)-South Africa Summit** and the **African Growth and Opportunity Act (AGOA) Forum** later this year.

<sup>4</sup> EWN, 17 Aug 2023

<sup>5</sup> EWN, 13 Jul 2023

<sup>6</sup> The Presidency, 20 Aug 2023

Ramaphosa appears to have successfully navigated the summit without worsening the country's relations with its Western partners – which are among South Africa's most valuable trading partners. Notably, this included distancing himself from Putin's position that the **Ukraine** war was the fault of Western states and the Ukrainian government. The South African government also pushed back against China's desire for BRICS to become a geopolitical rival to the **G7** with international relations minister **Naledi Pandor** insisting that this was not the case on the eve of the summit.<sup>7</sup>

How Ramaphosa and Pandor guided the country through the summit will be a relief to South Africa's business community and investors. There were fears ahead of the summit that the country could risk alienating important trade partners, such as the **United States (US)**, should it adopt a too anti-Western stance at the summit. This would risk South Africa's continued presence in the lucrative AGOA trade agreement.

This summit may also mark an end to South Africa's position as an influential BRICS member – the BRICS leaders decided to extend membership invitations to **Saudi Arabia, Iran, Ethiopia, Egypt, Argentina** and the **United Arab Emirates (UAE)** which could result in the South Africa's reduced role in the bloc.<sup>8</sup> Should all six nations accept the invitation, as expected, South Africa would go from being the fifth-largest economy in the group to the ninth. Furthermore, with the accession of Egypt, South Africa wouldn't even be the most significant economic or diplomatic force in the bloc from Africa. As such, the expansion of BRICS could diminish South Africa's role in the bloc and, by extension, the value its membership brings.

### Latest labour statistics highlight unemployment concerns

**Statistics South Africa (StatsSA)** released its latest **Quarterly Labour Force Survey** on 15 August indicating that the official unemployment rate fell marginally to 32.6% in the second quarter (Q2) of 2023 from 32.9% in Q1.<sup>9</sup> This involved the creation of around 154,000 jobs to bring the total number of employed persons in South Africa to 16.3 million. This is within sight of the pre-pandemic level of 16.4 million employed persons; however, the country is still well short of the pre-pandemic unemployment rate of 30.1%.<sup>10</sup>

More worrying though is the fact that under the expanded definition which accounts for disillusioned job seekers who have ceased looking for work, the country's current real unemployment rate is 42.1%.<sup>11</sup> The expanded definition of youth unemployment rate is around 70.1%. This high rate of real unemployment – especially youth unemployment – is among the most serious threats to South Africa's social and political stability. In a report in July this year, the **United Nations Development Programme (UNDP)** described the situation as a "*ticking time bomb*".<sup>12</sup>

South Africa's high rate of unemployment increases the risk of related negative social impacts such as increased rates of social unrest, crime, and substance abuse. It places further strain on the country's social welfare system leading to a larger burden on the national fiscus. Furthermore, such a high rate of unemployment is by default a major political issue. It makes it untenable for the government to reduce the public sector wage bill as called for by organisations such as the **International Monetary Fund (IMF)**.<sup>13</sup> The matter is also ripe for exploitation by political parties leading to voters being more amenable to the EFF's radical economic policy agenda as well as to xenophobic political narratives which are expected to play a major role in the 2024 general election.

<sup>7</sup>Mail & Guardian, 22 Aug 2023

<sup>8</sup> Reuters, 24 Aug 2023

<sup>9</sup> StatsSA, 15 Aug 2023

<sup>10</sup> StatsSA, 15 Apr 2020

<sup>11</sup> StatsSA, 15 Aug 2023

<sup>12</sup> My Broadband, 30 Jul 2023

<sup>13</sup> IMF, 22 Mar 2023

## Western Cape Taxi Strike

The **City of Cape Town** was impacted by a violent and disruptive transport strike by the mini-bus taxi industry between 3 and 9 August, a significant security and operational development for the **Western Cape** province.<sup>14</sup> The strike centred on a dispute over the municipality's policy of impounding taxis found violating road safety and licencing regulations. Discussions to address this dispute between the city and Western Cape provincial officials, and the **South African National Taxi Council (SANTACO)** came to a head on 3 August leading to a sudden suspension of mini-bus taxi services in the Western Cape province as whole.<sup>15</sup> Cape Town was the most affected by this strike with several sectors of the city's economy essentially being suspended due to the absence of worker transport. This was compounded by striking taxi associations and drivers forcibly preventing buses in Cape Town from operating. This led to several violent altercations in which multiple buses were damaged or destroyed. At least five people were killed in unrest related to the strike action.

The strike was also fuelled by the long-standing animosity between SANTACO and the DA which controls both Cape Town and the Western Cape. SANTACO viewed the strike as an opportunity to display its power in the city highlighting the extent to which the local economy depends on the transport services its members provide. As such, SANTACO did not only push for an end to the impounding of vehicles but wanted to be allowed to use the dedicated bus and emergency lanes in the city as well as qualify for the same subsidies as bus operators.

For its part, the DA took the strike as an opportunity to position itself as the party of 'the rule of law' and be seen as standing up to SANTACO. Minibus taxis are unpopular with much of the voting public but are especially loathed by the DA's suburban middle-class base. The situation was further aggravated when the ANC-led national government attempted to use the opportunity to criticise the DA as "*tyrannical*" and "*anti-poor*". Illustrative of this was the largely inflammatory role played by transport minister **Sindisiwe Chikunga** who instead of calming and facilitating an end to the situation publicly denounced the DA-led local governments as arrogant.<sup>16</sup> The ANC's actions also come even though the ANC faces similar issues with SANTACO in the municipalities in which it governs.

The strike was resolved after an agreement was reached between SANTACO and the city and provincial governments. Notably, very few of SANTACO's demands were agreed to and the agreement largely included a commitment to further talks and the implementation of a dispute resolution process. However, the matter highlighted the growing political tensions in the country ahead of the 2024 elections. These tensions will likely be utilised by various interested parties such as SANTACO to push their agenda. As such, further strikes by business groups and labour unions are anticipated in the coming months.

## Planner

Sep 2023 **Johannesburg (South Africa) South African Reserve Bank** (central bank) **Monetary Policy Committee** meeting;  
 2023 **(South Africa) African Growth and Opportunity Act Forum**;  
 2024 **(South Africa)** General election;

## Chronology

23 Aug 2023 **Johannesburg (South Africa) EWN. Statistics South Africa (StatsSA)** announces that consumer price inflation fell to 4.7% in July increasing the likelihood that the

<sup>14</sup> Reuters, 9 Aug 2023

<sup>15</sup> EWN, 3 Aug 2023

<sup>16</sup> EWN, 8 Aug 2023

**South African Reserve Bank** (central bank) will maintain or reduce interest rate at its next **Monetary Policy Committee (MPC)** meeting in September;

23 Aug 2023 **Cape Town (South Africa)** *EWN*. **Parliament's Section 194** committee adopts its final report recommending that suspended public protector **Busisiwe Mkhwebane** be impeached and removed from office. This recommendation will now be put to the **National Assembly** to be debated and voted on;

23 Aug 2023 **Cape Town (South Africa)** *News24*. Parliament's ad hoc committee to select South Africa's next public protector begins interviewing the shortlisted candidates;

18 Aug 2023 **Pretoria (South Africa)** *Business Tech*. **South African Police Service (SAPS)** releases the latest quarterly crime statistics for the period between April and June 2023 revealing a decline in homicide and assault but an increase in attempted murder cases;

15 Aug 2023 **Cape Town (South Africa)** *EWN*. The **South African Medical Association (SAMA)** confirms that the latest variant of **Covid-19 - EG.5** - has been reported in South Africa;

11 Aug 2023 **Johannesburg (South Africa)** *Reuters*. Former president **Jacob Zuma** is released on special remission two hours after being re-incarcerated at **Estcourt Prison (KwaZulu-Natal)** after the **Constitutional Court** found that his 2021 medical parole was invalid;

8 Aug 2023 **Durban (South Africa)** *Mail & Guardian*. **Inkatha Freedom Party (IFP)** leader **Velenkosi Hlabisa** survives an effort by a small group of IFP members to push a motion of no confidence in his leadership;

6 Aug 2023 **Pretoria (South Africa)** *News24*. Officials reveal that the inquiry panel investigating events surrounding the docking of the sanctioned Russian cargo ship, the **Lady R**, in December 2022 has found that no weapons or lethal equipment was loaded onto the vessel;

6 Aug 2023 **Pretoria (South Africa)** *News24*. Electricity minister **Kgosientso Ramokgopa** reveals that only 56% of the actions outlined in the government's energy crisis plan are on track;

6 Aug 2023 **Pretoria (South Africa)** *News24*. Ruling **African National Congress (ANC)** chairperson and energy minister **Gwede Mantashe** and public enterprises minister **Pravin Gordhan** lodge complaints with President **Cyril Ramaphosa** about ANC secretary-general **Fikile Mbalula** over public criticisms he made about them;

3 Aug 2023 **Centurion (South Africa)** *AfriForum*. Political lobby group **AfriForum** criticises the **National Prosecuting Authority's (NPA's)** decision not to prosecute ruling **African National Congress (ANC)** secretary-general **Fikile Mbalula** for corruption related to gifts received when he was sports minister. AfriForum indicates that it may pursue a private prosecution against Mbalula;

2 Aug 2023 **Johannesburg (South Africa)** *News24*. Officials announce that they believe that the 19 July gas explosion which destroyed **Johannesburg's Lillian Ngoyi Street** and killed at least one person was caused by a methane gas build-up;

2 Aug 2023 **Pretoria (South Africa)** *BizCommunity*. The **South African Revenue Service (SARS)** announces that South Africa recorded a R3.5 billion (\$187.58m) deficit in its June 2023 trade balance;

29 Jul 2023 **Johannesburg (South Africa)** *Daily Maverick*. Opposition political party **Economic Freedom Fighters (EFF)** celebrates the 10<sup>th</sup> anniversary of its founding with a major rally at Johannesburg's **FNB Stadium**;

28 Jul 2023 **Pretoria (South Africa)** *News24*. President **Cyril Ramaphosa** grants approval for the **Special Investigating Unit (SIU)** to investigate alleged misconduct in the **KwaZulu-Natal** provincial premier's office.

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