

## AFRICA RISK CONSULTING

### South Africa Monthly Briefing February 2024

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#### South Africa Summary 27 February 2024

*President Cyril Ramaphosa (2018-present) promulgates the date for the upcoming election as 29 May. South Africa's three largest political parties – the ruling African National Congress (ANC), the Democratic Alliance (DA), and the Economic Freedom Fighters (EFF) – launch their election manifestos throughout February. Finance minister Enoch Godongwana delivers the annual budget speech on 21 February, confirming that government is planning to use funds from the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) to pay down the debt. Police minister Bheki Cele on 16 February presents the latest quarterly crime statistics which indicate that crime is worsening in South Africa.*

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#### Parties launch manifestos as the election date announced

President **Cyril Ramaphosa** (2018-present) on 23 February officially promulgated 29 May as the date for the 2024 general election, marking the start of the formal electoral campaign season and enabling political parties to openly campaign for the election.<sup>1</sup> The upcoming election is expected to be the most competitive in **South Africa's** democratic era as a series of polls have suggested that the ruling **African National Congress (ANC)** could lose control of the country's two most populous provinces – **Gauteng** and **KwaZulu-Natal (KZN)** – and could even lose its national majority.

In anticipation of this highly competitive election, the country's three largest political parties have all launched their election manifestos. Events which have highlighted the main political issues in the country and indicated what policies they would pursue if they managed to form part of a provincial or even national coalition government.

#### *EFF*

South Africa's third-largest political party – the **Economic Freedom Fighters (EFF)** – was the first to launch its manifesto at **Durban's Moses Mabhida** stadium (KZN) on 10 February.<sup>2</sup> This event was well attended and was intended to illustrate the party's growth in the highly competitive KZN province. The EFF is a radical leftist party whose ideology is heavily influenced by **Marxist-Leninist** thought, little of which has been updated to reflect the complexity of the modern political economy. Unsurprisingly, the party's manifesto reflected its firm belief in statist policies that centre control in the national government and involve the expropriation of property and the severe constraining of the private sector. The most significant aspects of the EFF's manifesto were as follows:

- Double all social grants;
- Oppose the decommissioning of coal-fired power stations;
- Retrain the police by 2027 and employ 100,000 additional police officers;
- The creation of economic justice courts for those mistreated by corporations;
- The implementation of a 'corruption-free' government;
- Nationalise mines, banks, and other strategic economic sectors;
- Create additional state-owned companies in key economic sectors;
- Provide free education;
- Eliminate exams provided by the private **Independent Examinations Board (IEB)**;
- Nationalise the **South African Reserve Bank (SARB)**;

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<sup>1</sup> TimesLive, 23 Feb 2024

<sup>2</sup> Daily Maverick 18 Feb 2024

- Mandate that 80% of all private retirement funds be administrated and run by black-owned companies;
- Ensure all food is locally produced and not imported;
- Eliminate provinces;
- Expropriate land without compensation;
- Free universal healthcare;
- Regulate rent; and
- Allow for the free movement of all people from African states.

The EFF's manifesto is long and detailed; however, it does lack viable answers on how it intends to finance these ambitious ideals. This is especially significant as the party's policies are anathema to foreign investors, and local capital, and would dramatically increase the burden on the **National Treasury**. However, this is a manifesto aimed at winning votes. The EFF is aware that it is unlikely to win a majority and, thus, will not be tasked with implementing its agenda in full. This manifesto is aimed at appealing to the EFF's voter base as well as attracting disaffected voters and economically marginalised citizens.

#### DA

The official opposition, the **Democratic Alliance (DA)**, launched its manifesto during a rally outside the **Union Buildings** in **Pretoria** on 17 February.<sup>3</sup> In sharp contrast to the EFF, the DA is a centre-right business-friendly party which primarily caters to middle-class voters. The party's 2024 election manifesto reflected this ideological bent and was marked by investor-friendly policies and plans for increased state deregulation. The most noteworthy aspects of the DA's manifesto were:

- Increase social grants, especially the child support grant;
- Convert the **Social Relief of Distress** grant to a 'job seeker's grant';
- Create two million work opportunities;
- Reduce import tariffs on solar panels to enable cheaper access to renewable energy;
- Decentralise policing to "capable" provincial and metropolitan governments;
- Reduce the size of the police service's upper management and implement lifestyle audits for police;
- Appoint a new police watchdog;
- Replace the **Directorate for Priority Crime Investigation** (the **Hawks**) with an independent anti-corruption institution;
- Disband the **State Security Agency (SSA)** and rebuild the country's intelligence apparatus anew;
- Remove affirmative action policies such as **Broad-Based Black Economic Empowerment (BBBE)** and **Employment Equity** and replace them with the **United Nations (UN) Sustainable Development Goals**;
- Stabilise the debt burden;
- Establish school evaluation authorities in every province;
- Introduce a tiered system for the **National Student Financial Aid Scheme (NSFAS)**;
- Expand the range of zero-rated foodstuffs;
- Reduce the number of cabinet ministries, ministers, and deputy ministers;
- Outlaw cadre deployment;
- Oppose the **National Health Insurance (NHI)** scheme;
- Increase competition and lower private healthcare costs;
- Deregulate the labour market;
- Exempt small and medium businesses from bargaining councils;
- Protect property rights and prioritise government-owned land for distribution; and

<sup>3</sup> Daily Maverick, 25 Feb 2024

- Make the **Public Service Commission** independent and eliminate politicians from the hiring of civil servants.

The DA's manifesto will likely be welcomed by its middle-class support base and the primarily urban voters it is targeting. Its business-friendly, economic growth-centred policies could also help it attract donors ahead of the election. However, the party's steadfast insistence on eliminating affirmative action policies will likely damage it politically. While this position is popular with the DA's core white population base, it will reinforce the impression that the party struggles with racial issues. This perception remains a major obstacle to the DA's electoral growth.

#### ANC

The ruling **African National Congress (ANC)** party held its election manifesto launch on 24 February, also at the Moses Mabhida stadium.<sup>4</sup> This choice of venue highlights the ANC's concern over its collapsing support in KZN. The ANC is entering the 2024 election facing widespread public frustration over the state of the economy and the country at large. Accordingly, the party is seeking to scapegoat its governance failures while simultaneously, once again, trying to convince voters to look at its achievements since 1994 as opposed to the most recent electoral cycle. In light of this, the ruling party has put forward an aggressive manifesto promising that the party will leverage state power to rapidly expand employment in the country while pledging to reverse several of the challenges created by the party's missteps over the past decade. The most noteworthy policies in the ANC's manifesto were:

- Create 2.5 million work opportunities in the public sector;
- Expand the **National Youth Service** in partnership with the **South African National Defence Force (SANDF)**;
- Increase investment in infrastructure development;
- Expand VAT exemption on essential products;
- Implement the NHI;
- Increase the **National Minimum Wage** in one with inflation;
- Work towards a **Basic Income Grant**;
- Intensify the war on crime;
- Overhaul the immigration system;
- Strengthen the implementation of the **African Continental Free Trade Area (AfCFTA)**;
- Implement policies to localise industrialisation;
- Implement export taxes on cobalt, lithium, graphite, chromite, manganese and platinum to encourage local processing and manufacturing;
- Accelerate land expiration within the confines of the Constitution;
- Leverage the state's procurement budget to bolster local businesses;
- Develop gas, nuclear, and hydropower plants;
- Establish a **National Oil Company** to refine petroleum and petrochemical industrialisation;
- Compel investment funds to invest in industrialisation and infrastructure development through prescribed assets;
- Finalise the establishment of a sovereign wealth fund;
- Create additional state-owned banks;
- Empower provinces to establish financial institutions; and
- Establish the **Investigating Directorate** as a permanent entity within the **National Prosecuting Authority (NPA)**.

There were few new policies in the ANC's 2024 manifesto compared with its 2019 manifesto, highlighting the party's failure to implement promises such as the NHI or the creation of a sovereign wealth fund over the past five years. The fact that the ANC's manifesto essentially promises that the party will pursue the same agenda has underscored the government's failure to implement its plans over the last electoral cycle. The most notable new aspect of the manifesto is the stronger anti-

<sup>4</sup> Daily Maverick, 24 Feb 2024

immigration stance which has confirmed that the ANC – like many other parties – intends to campaign in an anti-immigration stance.

The manifestos of South Africa’s three largest parties have also confirmed the major issues that are expected to dominate the upcoming electoral campaign period – the high rate of unemployment, land ownership and redistribution, infrastructure issues such as load shedding and water shedding; and immigration.

It is conceivable that the election may result in a scenario in which a government cannot be formed at a provincial, or even national, level without at least two of these parties. This will require either an ANC-DA or ANC-EFF coalition. The choice of coalition partner will have a profound impact on policy direction in the country. The DA and EFF have dismissed the idea of any coalition between themselves; however, the possibility of the EFF providing temporary support to a DA-led coalition minority government cannot be discounted. A similar outcome occurred in several municipalities in the wake of the 2016 and 2021 local government elections.

### National Treasury to tap currency stabilisation fund to pay down debt

Finance minister **Enoch Godongwana** delivered the annual budget speech on 21 February, a challenging task given the conflicting pressures on his office from the country’s economic exigencies and the ANC’s political desire for an election-friendly budget.<sup>5</sup> Godongwana sought to achieve this latter goal by not introducing any new income tax or VAT increases. However, the finance minister did not adjust tax brackets for inflation which should result in some increased revenue collection as the year progresses. Godongwana also made several other popular pronouncements such as increased spending on law enforcement, maintaining the **Social Relief of Distress** grant, and a tougher stance towards the country’s struggling state-owned enterprises (SOEs).

Despite the government’s efforts to place a positive spin on speech, this year’s budget is one of austerity. The state is struggling with lower revenue rates due to a fall in commodity prices, reduced economic activity due to persistent load shedding, and falling customs revenues as a result of the crisis in South Africa’s ports. To offset this, the National Treasury is seeking to raise an additional R 15 billion (\$776.4m) in new taxes through increases in sin taxes on tobacco and alcohol as well as the implementation of global minimum tax rules for multinational corporations. This latter measure is in line with best international practice to prevent global companies from taking advantage of tax loopholes.

The single most significant announcement in Godongwana’s speech was that the National Treasury would withdraw R150 billion (\$7.76 billion) from the **Gold and Foreign Exchange Contingency Reserve Account (GFECRA)** to help keep the country’s growing debt burden under control.<sup>6</sup> The GFECRA is used to help protect the SARB from currency volatility. The account has an inverse relationship with the rand, so if the rand strengthens GFECRA’s balance declines and if the rand weakens GFECRA’s balance increases. As a result of the Rand’s steady decline over the past 20 years, the GFECRA has grown from R1.8 billion (\$93.17m at the current exchange rate) in 2006 to R508 billion (\$26.3 billion) now. As a result of this move, the country’s debt burden is now expected to peak at 75.3% of GDP in 2025/2026.<sup>7</sup>

The growing debt burden remains a serious economic concern as debt servicing will cost the state R382.2 billion (\$19.8 billion) in the coming year; this is more than the state is spending on healthcare or peace and security. A large proportion of this debt is accrued to cover operational costs, especially the public sector wage bill; as such, without substantial economic growth and fundamental structural reforms, the country is unlikely to begin paying down its debt in a meaningful way. In fact, Godongwana’s prediction that the debt burden will peak in the next two years is likely optimistic.

<sup>5</sup> EWN, 21 Feb 2024

<sup>6</sup> Bloomberg, 21 Feb 2024

<sup>7</sup> National Treasury, 21 Feb 2024

## Latest crime statistics released

Police minister **Bheki Cele** on 16 February released the crime statistics for the third quarter (Q3) of the 2023/2024 reporting year covering the months of October through December.<sup>8</sup> Cele sought to highlight the police's successes during this period, especially the high-profile drug busts which occurred, including three drug busts in December at **Durban Port** where cocaine worth a combined R300m (\$15.5m) was seized. However, the Q3 crime statistics were generally negative - murder increased by 2.1% (measured year-on-year), attempted murder rose by 13%, assault with intent to commit grievous bodily harm (assault GBH) rose by 5.8%, and aggravated robbery increased by 6.6%. However, in a more positive shift rape and sexual assault rates declined by 1.7% and 1.9% respectively. This is particularly noteworthy as the October-December period includes South Africa's summer holiday and festive season which often sees a spike in such crimes. Kidnapping rates continued to rise with an 11% year-on-year increase. Kidnapping for ransom is a growing criminal phenomenon in South Africa as criminal syndicates increasingly view this act as a lucrative endeavour.

Crime remains one of the most significant operational threats in South Africa and leading social concern. South Africa's police service remains under-resourced and negatively impacted by corruption. The country's capacity to effectively combat crime has been further undermined by the virtual collapse of the police's **Crime Intelligence Unit** over the past decade. This unit was central to state capture corruption and was deeply undermined by corruption and political interference.

The Q4 crime statistics are expected to be released in mid-May ahead of the election. Crime is expected to be a central issue in the upcoming election and one with which opposition parties are expected to attack the ANC.

## Planner

27 Mar 2024 **(South Africa) South African Reserve Bank (SARB) (central bank) Monetary Policy Committee (MPC) meets**

29 May 2024 **(South Africa) General election**

## Chronology

26 Feb 2024 **Johannesburg (South Africa) ENCA**. Opposition party **ActionSA** announces that it has filed a motion of no confidence against **Ekurhuleni** mayor **Sivuyile Ngondwana**;

23 Feb 2024 **Bloemfontein (South Africa) News24**. Supreme court of appeal documents reveal it dismissed home affairs minister **Aaron Motsoaledi's** application to appeal an earlier high court ruling finding that the termination of the **Zimbabwean Exemption Permit (ZEP)** was unconstitutional;

19 Feb 2024 **Johannesburg (South Africa) Daily Maverick**. Recently formed political party, **Change Starts Now** launches its manifesto the marquee policy of which is a proposed wealth tax to raise R500 billion (\$25.87 billion) for reconstruction and development;

19 Feb 2024 **Johannesburg (South Africa) Business Day**. The ruling **African National Congress (ANC)** hands over the minutes of its cadre deployment committee to the **Democratic Alliance (DA)** after losing a final court bid to avoid doing so;

18 Feb 2024 **Johannesburg (South Africa) News24**. Newly formed political party **Rise Mzansi** reveals that it received R15m (\$775,338) from multi-millionaire heiress **Rebecca Oppenheimer**;

<sup>8</sup> Ministry of Police, 16 Feb 2024

16 Feb 2024 **Pretoria (South Africa)** *Daily Maverick*. President **Cyril Ramaphosa** approves a **Special Investigating Unit (SIU)** investigation into corruption at the **Passenger Rail Agency South Africa (PRASA)**;

14 Feb 2024 **Goma (DRC)** *SA News*. Two **South African National Defence Force (SANDF)** soldiers are killed in the **Democratic Republic of Congo (DRC)** where they are stationed as part of the **South African Development Community (SADC) Mission in DRC (SAMIDRC)**;

13 Feb 2024 **Johannesburg (South Africa)** *News24*. It is revealed that the **South African National Defence Force (SANDF)** deployment to the **Democratic Republic of Congo (DRC)** as part of **South African Development Community (SADC) Mission in DRC (SAMIDRC)** will cost approximately R2 billion (\$103.5m);

13 Feb 2024 **Johannesburg (South Africa)** *EWN*. Opposition party **ActionSA** unveils its premier candidates for the **Eastern Cape, Mpumalanga,** and the **Free State** provinces. They are former **Nelson Mandela Bay** mayor **Athol Trollip**, former **Ehlanzeni** district municipality manager **Thoko Mashiane**, and former **Democratic Alliance (DA)** shadow minister of health **Patricia Kopane** respectively;

11 Feb 2024 **Johannesburg (South Africa)** *Bloomberg*. A new opinion poll reveals that the **uMkhonto weSizwe (MK) Party**, which former president **Jacob Zuma** backs, is attracting significant support in **Kwa-Zulu Natal** province. These findings are supported by the MK Party's third-place finish in the **AbaQulusi (KZN)** by-election on 7 February;

2 Feb 2024 **Ekurhuleni (South Africa)** *News24*. The **Auditor-General** dismisses allegations by the **Economic Freedom Fighters (EFF)** that the office's audit of the Ekurhuleni's financial statements was marred by political interference;

2 Feb 2024 **Cape Town (South Africa)** *EWN*. **Parliament** calls for nominations for a new deputy public protector;

2 Feb 2024 **Johannesburg (South Africa)** *ENCA*. The ruling **Africa National Congress (ANCO)** files applications challenging the **uMkhonto weSizwe (MK) Party's** use of emblems and trademarks it claims belong to the ruling party;

1 Feb 2024 **Pretoria (South Africa)** *Moneyweb*. Finance minister **Enoch Godongwana** dismisses **Israeli** reports claiming that South African banks are facilitating funding to the **Palestinian** militant group, **Hamas**;

1 Feb 2024 **Pretoria (South Africa)** *News24*. Minister in the presidency **Khumbudzo Ntshavheni** claims that President **Cyril Ramaphosa** will sign the **National Health Insurance (NHI)** programme into law before the 2024 elections;

1 Feb 2024 **Pretoria (South Africa)** *Daily Maverick*. Pretoria high court grants the **National Prosecuting Authority's (NPA)** application to settle ongoing litigation over the **Optimum Coal Mine** and **Optimum Coal Terminal** both of which were central to major state capture scandals involving state-owned utility **Eskom**;

1 Feb 2024 **Johannesburg (South Africa)** *Reuters*. **Absa Purchasing Managers Index (PMI)** reports activity declined in South Africa's manufacturing sector in January;

31 Jan 2024 **Pretoria (South Africa)** *Daily Maverick*. International relations minister **Naledi Pandor** accuses Israel of ignoring the recent **International Court of Justice (ICJ)** ruling ordering it to take steps to protect **Palestinian** civilians;

31 Jan 2024 **Johannesburg (South Africa)** *EWN*. The **Electoral Commission (IEC)** dismisses allegations by former president **Jacob Zuma** that it favours the ruling **African National Congress (ANC)** over other political parties;

31 Jan 2024 **Johannesburg (South Africa)** *Mail & Guardian*. South Africa begins exporting under the **African Continental Free Trade Area (AFCFTA)**;

30 Jan 2024 **Johannesburg (South Africa)** *Bloomberg*. The **International Monetary Fund (IMF)** cuts its economic growth forecast down to 1% of GDP from its previous forecast of 1.8%;

29 Jan 2024 **Johannesburg (South Africa)** *News24*. The ruling **African National Congress's National Executive Committee (NEC)** unanimously votes to suspend former president **Jacob Zuma** as a party member over his support for the **uMkhonto weSizwe (MK) Party**;

26 Jan 2024 **The Hague (Netherlands)** *Al Jazeera*. The **International Court of Justice (ICJ)** mostly rules in favour of South Africa's request for provisional measures in its genocide case against **Israel** and orders Israel to protect **Palestinian** citizens and stop officials from engaging in genocidal rhetoric; however, the court did stop short of ordering a ceasefire in Israel's war with **Hamas**.

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