



SA politics 2016 Q1 wrap-up and way forward

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As quarter one of 2016 came to a close, the South African rand gained around 5.5% to the US Dollar on delivery of a unanimous judgement by the country's Constitutional Court that President Jacob Zuma failed to "uphold, defend and respect" the Constitution. It related to the President's failure to comply with the constitutionally empowered Public Protector's finding that, amongst others, he was liable for non-security upgrades made by the state to his private homestead at Nkandla.

The market reaction can be attributed to the judgement addressing accountability in managing of the fiscus and, by extension, of the economy. This has become a serious concern to investors following what has become known as Nenegate or 9/12: when President Zuma ejected former respected Finance Minister Nhlanhla Nene in favour of unknown backbencher, Minister Des van Rooyen on 9 December of last year. Then, the markets, which in times of macro-economic stability have tended rather to react to labour strife than any corrupt practises, stripped R500bn in value off South African assets in response. Within five days, the President was forced to capitulate and reappoint to Treasury Minister Nene's respected predecessor, Minister Pravin Gordhan.

The conclusion is inescapable: Minister Nene's removal was interpreted to expose in sharp relief the President's perceived agenda of undue intervention in the procurement decisions of state-owned entities for the benefit of third parties close to him. Reappointing Minister Gordhan... gave dynamic impetus to what preceded and followed it.

The conclusion is inescapable: Minister Nene's removal was interpreted to expose in sharp relief the President's perceived agenda of undue intervention in the procurement decisions of state-owned entities for the benefit of third parties close to him. Reappointing Minister Gordhan was also not the first surrender, but gave dynamic impetus to what preceded and followed it. In October, he conceded to no fee increases for 2016 at the country's public universities, after students of all races united in the nine day #FeesMustFall protest, which was heavily critical of the President and his government. In February followed the Nkandla U-turn: in apparent anticipation of the Constitutional Court finding him in contravention of the Constitution, the President declared himself willing to pay reasonable costs for non-security upgrades to his homestead, thereby embarrassing the Speaker of Parliament, numerous ministers and members of the ruling African National Congress (ANC) caucus who have risked their reputations to protect him.

Zuma vs Gordhan and State Capture

These reversals demonstrate the dynamic nature of South Africa's democratic consolidation in practise, but have also spelled the political weakening of the President in a manner that he might still be adjusting to. This is apparent no more than in the interplay between the efforts led by newly reinstated Finance Minister

Pravin Gordhan to avert credit rating agencies downgrades of the South African economy to so-called junk status later this year, and President Zuma's apparent efforts to retain influence over levers of the state.

Numerous current and former ANC-employees led by Deputy Finance Minister Mncibisi Jonas have come forward to allege interference by the Gupta family (who has close business ties with President Zuma's family and government) in the making of government appointments. As events unfolded, the President first displayed denial and isolation about the essential concerns emanating from Nenegate around accountability in his management of the economy. This was evidenced by a complete lack of consideration to related issues in his January 8 statement, his lacklustre performance in business consultations and participation in the January World Economic Forum event in Davos and, his State of the Nation address, which stopped short of recognising the need for more accountability and greater policy certainty and coherence.

By the time of the President's response to the debate of his State of the Nation Address in Parliament on 14 February, the narrative of his alleged facilitation of state capture by the Gupta's was already public. He struck a defiant tone. This was to continue with his defence of Minister Des van Rooyen (he was redeployed to the Ministry of Cooperative Government and Traditional Affairs) as the most qualified finance minister he ever appointed on the eve of Minister Gordhan unveiling his critical first budget since his reappointment.

The President sustained his defiance in three further instances:

- He on two fronts failed to demonstrate support of his finance minister in a proxy battle at the South African Revenue Services (SARS). On the one hand he appeared hesitant to reign in his appointee, SARS commissioner Tom Moyane, who was executing the alleged deregularisation of engagement with tax-dodging large businesses to the obvious frustration of Gordhan, who is Moyane's line minister and a former SARS commissioner. On the other, the President also raised no questions in respect of the apparent pursuit of Gordhan by the priority crimes investigations directorate, the Hawks, for the alleged establishment of a so-called rogue unit at SARS.
- His son, Edward Zuma, implied counter allegations of facilitating state capture against his possible successor, Deputy President Cyril Ramaphosa, by laying a charge of corruption against South African billionaire Johann Rupert for allegedly having met with the Deputy President to achieve corrupt ends.
- It has been reported by numerous sources that the President's potential exit from the Presidency was discussed with him by the ANC's other top five officials (Deputy President Cyril Ramaphosa, Secretary-General Gwede Mantashe, Chairperson Baleka Mbete, Treasurer-General Zweli Mkhize and Deputy

Secretary-General Jessie Duarte) on 1 April. It is alleged that the President entertained suggestions of him exiting the Presidency of the country subsequent to the local government elections, but not without threat. He cautioned that given Parliament's implication in flouting the Constitution in its handling of the Public Protector's findings on the non-security expenditure on the President's Nkandla homestead by the Constitutional Court, any recall of the President should trigger the dissolution of Parliament and early elections, and would thereby cost many ANC members their elected positions.

ANC Succession

There is, however, no question that the President will have to submit to negotiations around his future at the choosing of the collective, as is *de rigueur* for the ANC. The timing of such a discussion and its eventual result would depend on a number of factors:

1. The local government election

The ANC's local government election campaign manifesto will be launched on 6 April. While it will be important to present a unified front to the electorate, the corollary of that concern is that the President could become the scapegoat for any electoral losses suffered by the ANC at the ballot box. At this stage such losses look very certain.

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The ANC is vulnerable to being forced out of government or into uncomfortable coalitions in at least 16 municipalities around the country. This would include three big metropolitan municipalities in Gauteng (Tshwane, Johannesburg and Ekurhuleni) and one in the Eastern Cape (Nelson Mandela Bay). In addition, the *Sunday Times* on 3 April reported significant drops in approval ratings for the President (from 43% in March 2015 to 27% in February 2016) as registered in a TNS survey. Though his support has declined particularly among urban black people, the President now for the first time does not have the support of the majority of black people – a demographic amongst whom his support has tended to remain stable.

It is likely that given the higher levels of contestation both inside the ANC during the list process (the process of choosing candidates to



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stand as municipal councillors in the local government election) and in the election itself where ANC candidates will be under greater pressure from the competition, allegations of unfair election practises and even incidents of violence may be much more prevalent than in previous years. If coming out of the election, ANC support has dropped significantly across the country and resulted in the loss of major municipalities, the fall-out will filter from the branches and remaining caucuses upwards through to the ANC National Executive Committee (NEC), where support for the President may be impacted negatively. The President, feeling the pressure, is likely to appeal to faith-based communities, on race and on divisive issues such as land, to rally support.

2. *Stability and harmony in the ANC and by extension in government*

President Zuma has amassed a significant deployment network throughout government and state-owned institutions. His support in the security cluster of cabinet (State Security Minister David Mahlobo and Police Minister Nkosinathi Nhleko have shown great loyalty to the President) remains firm. In the ANC, he still enjoys the support of the majority of the NEC, and broad-ranging support in the Kwa-Zulu Natal, Mpumalanga, the Free State and North West structures of the party. He also enjoys the support of the ANC Women's League and the ANC Youth League.

If he is to be replaced, time will be required for prospective leaders to coalesce sections of the ANC behind them, to undo President Zuma's deployment networks sufficiently so they may be able to run government effectively. Leaders of the ANC will also be careful to create opportunities for a coalition of aggrieved parties to emerge. They are therefore likely to hold out until adequate consultations can take place at branch level.

3. *Acceptance of his fate by the President*

Summary ejection need not be the only option to the ANC. Should President Zuma prove accepting of the need for new leadership to take over the running of the country, having him continue in a *de jure* capacity could even see him complete his term in government and spare the ANC the agony of another premature recall. This is not without precedent, as President Mandela in the last two years of his Presidency adopted such a position once then Deputy President Thabo Mbeki had become President of the ANC.

However, should he remain defiant, it may precipitate the calling of a special congress to elect new leadership for the ANC to facilitate the President's recall before the elective conference scheduled for December 2017, as the ANC did with then President Mbeki in 2008. This is an option that the ANC would want to avoid for fear of the division it could result in for the party.

Policy Contestation Likely to Increase As Candidates Emerge

The key aspect in considering succession is that the President for all intents and purposes no longer presides over the kind of powers of

enjoinment that would enable him to anoint a successor. While it has been suggested that he prefers his ex-wife, outgoing African Union Commission Chairperson Nkosazana Dlamini-Zuma, to succeed him, the likelihood is that the race will have to be more about policy rather than opportunities for patronage that would come from an anointing predecessor that still has all of government beholden to him.

The other most likely contestant is Deputy President Cyril Ramaphosa. While he is often discounted for his lack of a constituency within the ANC, he could be the beneficiary of sentiment mounting against the politics of patronage in the wake of the state capture controversy around President Zuma. He already has the support of Secretary-General Gwede Mantashe in this regard. Both of them have in recent statements subtly tried to create separation between the ANC and President Zuma without mentioning the latter, when contending in the face of state capture accusations that the ANC "is not for sale".

Growing support for the Deputy President in the Cabinet and in the ANC caucus in the National Assembly is likely. The Deputy President has been largely successful in building political capital in the handling of numerous poisoned chalices he has been handed during his tenure as Deputy President. These include:

- negotiations around reducing strike violence and instituting a minimum wage;
- reversing tightened tourism-damaging visa requirements vehemently defended by popular Minister Malusi Gigaba;
- presenting a new offer to the public to pull the unpopular e-Toll system from collapse; and,
- overseeing the turnaround of the perennially troubled South African Airways, electricity utility Eskom and the South African Post Office.

It is likely that Deputy President Ramaphosa will also benefit from growing support amongst black professionals and the ANC's Gauteng structure.

Way Forward for Business

Since becoming President of South Africa, President Zuma's leadership style on most policy matters has been to manage relationships and defer to the collective rather than to lead from the front. On other matters, he has relied heavily on key deployments for political expediency. It has had the effect of undermining joined-up policy execution and policy-making. Under such conditions, the best lobbying approach by business has been to try and promote consensus from the outside in, by trying to promote a dynamic understanding of the impact of regulation and legislation on business growth amongst a number of relevant cabinet members at the same time.

A competitiveness issue may for instance at the same time involve the ministers of finance, trade and industry, economic development



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and labour, and achieving consensus on a particular policy viewpoint may often involve leveraging statutory institutions with a modicum of independence and convening power, such as the Industrial Development Corporation, to enable the necessary multilateral conversation.

However, as intimated before, it is likely that as President Zuma's grip on power weakens, open contestation of policy will become a greater feature of the political landscape. Such liberalisation of rational public discourse has already received some impetus as government, through the Ministry of Finance, has turned to the business community for ideas and support to avert further credit rating downgrades in the aftermath of Nenegate. Key markers in this trajectory will include the conclusion of the local government elections, which will serve as a starting point for role-players to position themselves for future leadership positions in a post-Zuma ANC. Other key moments will include the ANC policy conference and the run-up to the elective conference in 2017. However, such opportunity for open discussion to influence policy may remain most available at least until the next national general elections, currently expected in 2019, as the new leadership of the ANC seek support ahead of its first term in power.

This period will also be a great opportunity to close the trust deficit that exists between business and government, and in this regard, at least the following five strategic options present good prospects:

1. Use practical examples of upstream and downstream impact to dynamically illustrate to the Government how private sector investment in the economy can be crowded in and what the solutions are to current obstacles in that regard.
2. Pro-actively oppose fear-mongering on the economy (e.g. nationalisation narrative, view of ruling party as a corrupt monolith) by emphasising the strength of our institutions, high levels of contestation and diversity in politics and positive future prospects and opportunities.
3. Find and profile "good business" leadership examples that led to meaningful triple bottom-line returns.
4. Engage in sincere efforts to assist government in achieving legitimate goals in terms of improving black participation in the economy (i.e. land reform, promoting emergence of black owner-operators in supply chains through progressive procurement and supplier development, employment etc.).
5. Explore options for longer term institutional reform to encourage quality political oversight, more constructive social dialogue and to promote accountability in government.

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