



POLITICAL UNCERTAINTY BEFORE SOUTH AFRICA'S NATIONAL ELECTIONS

Opinion polls suggest that the ANC will win comfortably the upcoming regional and national elections in South Africa, to be held on May 8th. It remains to be seen if **ANC and State President Ramaphosa** will then be strong enough to lead the party according to his own agenda and to secure the removal and conviction of leading ANC comrades for corruption.

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On May 8th, South Africans are electing new regional and national parliaments, which then elect the Premiers for the seven provinces, and the State President. Many believe that these elections will bring wide-ranging changes to the country which is struggling economically and politically. They may be mistaken.

Opinion Polls: Since the ANC last year changed its leader from Jacob Zuma to Cyril Ramaphosa, the party has increasingly won back voters who had been alienated by the corrupt rule of the Zuma administration. During Zuma's term the party lost voters in the 2016 local government elections. Opposition parties under the leadership of the DA (Democratic Alliance) took over three metropolitan cities from the ANC. It looks as if this trend is reversing: 61% of interviewed adults said they would vote for the ANC; up from 54.5 % during the municipal vote in 2016.¹

As most South Africans are bound emotionally to the ANC as the party of Nelson Mandela and the party that led the liberation from apartheid, it is difficult to break its electoral majority. This may explain why despite the corruption in the ANC, which has been revealed day after day by the submissions to the *Zondo Commission into State Capture*, opposition parties are not making any significant progress.

The opposition DA which governs four metropolitan cities and the Western Cape Province is in trouble itself. Under accusations of corruption, the party had to force its Mayor of Cape Town, Patricia de Lille, out of office. Its Premier of the Western Cape, Helen Zille, scares away new black voters with controversial statements about the benefits of colonialism. The DA is as much plagued by infighting as the ANC. Although it won 22.2% in the national elections in 2014 and 27% in the local government elections in 2016, it is now down to 14% and 18% in opinion polls.²

The populist split from the ANC, the EFF (Economic Freedom Fighters), which is calling for the nationalization of the economy and land, gained a straight 6.4% in its first elections in 2014 and 8.2% in 2016. This party is now involved in a string of scandals, especially the looting of the VBS bank. Its supporters appear not to have been put off by the corruption of the EFF leaders and the party still scores 9% to 10% in the polls.

Based on the opinion polls the political landscape after the elections will be similar to the present one: ANC in government with a comfortable majority. This appears to be a sign for continued stability. However, analysts from the World Bank and local research institutions cite "political uncertainty" as one of the main factors responsible for the gloomy economic outlook of the country for 2019. Other factors are anticipated protracted labour disputes and electricity shortages.

The economic situation: The World Bank revised its June 2018 estimate of 1.8% GDP growth for 2019 down to 1.3%. For the sixth time in a row economic growth will then be below the population growth of 1.7%. Unemployment remains high with an official rate of 27.5% and

¹ IPSOS

² IPSOS and South African Institute of Race Relations

trade unions expect that more jobs will be lost during the year. Merrill Lynch predicts that public debt will rise above 56% of GDP and that fiscal deficit will reach 4.3% of GDP.

The state-owned energy supplier ESKOM is the largest burden for the economy. In February ESKOM had to introduce rotating load shedding in order to avoid a complete crash of the energy supply. ESKOM has an installed capacity of 45,000 MW of which around 40% was not available. The costs for the two new coal fired power stations Medupi and Kusile exploded to more than 300 billion Rand (20 billion Euros) due to mismanagement and corruption. The new stations are already marred by failures so that ESKOM again had to rely on old power stations and expensive diesel generators. The 420 billion Rand (28 billion Euros) debt of ESKOM at the end of last year amounts to 8.5% of GDP, higher than the fiscal deficit.

The government has no other choice than to bail out the virtually insolvent state-owned enterprises, notably ESKOM and SAA (South African Airways) because trade unions are vehemently opposed to privatisation. With expected low GDP growth rates for the years ahead one cannot see how the government would be able to arrest the runaway debt of the country.

Under these circumstances President Ramaphosa's campaign since his election, and also at this year's World Economic Forum (WEF) in Davos, to win over international business to invest in South Africa - cannot bring the expected positive results. It fits this picture that the South African business community appears not to have much confidence in its own country. South Africa is the third biggest exporter of capital as a percentage of GDP globally. It is investing more outside its borders than it receives.

The blame game: President Ramaphosa claims that he was shocked and surprised when the lights went off in South Africa in February. The impression was created that the failure of ESKOM was caused by the previous administration under ex-President Zuma. But when the first energy crisis happened in 2014 President Zuma appointed his deputy Ramaphosa to chair a "war-room" to deal with ESKOM. Pravin Gordhan, today's Public Enterprises Minister was one of the six members on the advisory panel. It is unquestionable that the ANC government and especially Ramaphosa as well as Gordhan were aware of the precarious situation at ESKOM. To put the blame on the previous administration is neither fair nor correct.

In his State of the Nation Address President Ramaphosa announced that ESKOM would be broken up into three entities responsible for generation, distribution and transmission. This seems to be a step in the right direction to correct the fundamental imbalance at ESKOM. Plans to break up the power giant were in fact proposed in the early 1990's, but the ANC government has done nothing, not then and not recently.

Observers put the blame on political interference and Black Economic Empowerment (BEE). Chancellor House, the investment entity of the ANC, and Hitachi Power Europe set up a joint venture called Hitachi Power Africa. This helped Hitachi to meet black empowerment criteria and to secure the boiler contracts at the two coal-fired power stations Medupi and Kusile, probably at inflated prices. The construction of the boilers has been a main factor in delaying

the completion of the energy stations. It is also alleged that the deals for Hitachi included huge bribes to the ANC.

Malusi Gigaba who was Minister of Public Enterprises in 2013, said then that the empowerment game in the mining sector will be changed and that by 2018 ESKOM would procure over 50% of its coal from black miners. The Mining Charter at that time required only 26% black ownership. Companies like Anglo American and South 32 divested from the domestic coal sector and during the last years ESKOM complained repeatedly about the delivery of sub-standard or wet coal.

ESKOM's staff increased over the last ten years from 32,000 to 48,000 while producing less electricity than ten years ago. Estimates differ but ESKOM has lost thousands of skilled personnel since 1994, especially engineers and artisans. Under affirmative action rules, promotions became difficult for white people, and when at the same time attractive severance packages were offered to them they often looked for employment elsewhere in South Africa or abroad.

The most severe interference came from Ex-President Zuma himself who wanted to build nuclear power stations with the help of Russia. With this aim in mind ESKOM's monopoly behaviour was tolerated when blocking independent power suppliers from investing in renewable technologies like solar and wind. Earlier investments in these sectors would have prevented this year's energy crisis and would have helped South Africa to contribute to reducing CO2 emission instead of re-commissioning old, polluting, coal stations.

The political situation: Ramaphosa was elected with a slim majority at the ANC congress at the end of 2017. More than one year later the Zuma faction still seems to have extensive support in the party, which the current President cannot ignore. The quote from the World Bank Report, "political uncertainty", is not about the outcome of the elections, it is about the outcome of the power struggle in the ANC.

In recent speeches President Ramaphosa lauds the important role ex-President Zuma played during the liberation struggle, the good work he did during his terms in office and his ability to foster party integration. Against major legal opinions he has tried to ensure that the government pays for Zuma's past and on-going court cases. In such a situation, it is not surprising that Zuma and his supporters have been given prominent places on the national election list of the ANC.

Zuma is also needed to win the elections in his home province, KwaZulu-Natal, and it is obvious that Ramaphosa is, for this reason, trying to please Zuma and his followers. This highly populated province was the stronghold of the Inkatha Freedom Party after the first general elections in 1994. Under Zuma's leadership the ANC gained a majority there for the first time.

The recently released election manifesto of the ANC does not indicate which wing of the party is the dominant one. The manifesto is a "middle of the road" one, and tries to attract everyone, which is not easy in a society as diverse and racially divided as the South African one. The proposed change of the constitution to allow for expropriation of land without

compensation obviously aims to attract the more radical minded parts of the population. In speeches ex-president Zuma even uses the term “nationalisation” and tries to create the image that he and his followers are more “left” leaning than Ramaphosa.

But the division in the ANC is not about ideology alone and not about “right” or “left” or about whom is more or less progressive. It is about “insiders” and “outsiders”. Very few blacks have made it into the middle class in the private sector. Generally speaking to become an insider one has to become a successful politician or has to be appointed through political connections as a government employee. “Winning election as a local councillor is the difference between being middle class and poor”.³ Battles for party positions, therefore, are tough and seldom fair. All parties are involved in court cases disputing internal party elections and party appointments. Because the stakes are high, many even resort to political killings, especially in KwaZulu-Natal.

Under such a scenario the composition of the ANC in the new National Parliament will be a mix of very different aspirations and interests and probably will not be much different from the composition of the National Executive Committee (NEC). Even if he wins the elections comfortably, Ramaphosa will still have problems in leading the ANC according to his own political agenda. The members of the NEC will remain the same after the national elections and Ramaphosa still has to depend on the slim majority there. The NEC is the most powerful organ of the ANC and did not hesitate some years ago to remove its own State President, Thabo Mbeki. For Ramaphosa factionalism in the NEC is more important than the electorate.

Conclusion: After decades of suppression under apartheid it is understandable and obvious that the new black elite must attempt to correct the imbalances of the past. Positive discrimination through Black Economic Empowerment and Affirmative Action are accepted vehicles to achieve this goal, similar to women quotas in Western countries. But they have been too often misused to facilitate corruption and patronage networks. And too often a rushed implementation of these measures has prevented the smooth transmission from minority to majority leadership. People with years of experience cannot be replaced easily. Shortcomings and bad management in public administrations can be tolerated for a long time without causing collapse; where technical components are a main factor of the operation, shortcomings and bad management can lead to disaster: the lights go out. At this stage South Africa needs an open discourse about empowerment policies without “holy cows”.

President Ramaphosa seems to be serious about fighting corruption and has set up several commissions to deal with it. The revelations at these public hearings are shocking and disclose extensive and systematic networks of corruption. What has come out there needs to be dealt with by prosecution and the courts. So far some key personnel have been removed from public enterprises and public administrations but this was only followed up by a few convictions, mostly of minor personnel. Ramaphosa’s protective behaviour towards

³ Steven Friedman: *The ANC: the story of a liberation movement that’s lost its lustre* in *The Conversation*, 06.01.2019

Zuma (understandable because of the upcoming elections) is not helpful in this fight against corruption.

The upcoming elections most probably will strengthen Ramaphosa's position in the ANC, but if he will be strong enough to force upon the party and society the necessary discourse about empowerment policies, and to secure the conviction for corruption of leading ANC comrades remains to be seen. The question is also if he is free enough to do so, or if he is bound by skeletons in his own cabinet. He himself made money through some questionable deals in the early years of Black Empowerment and he was Zuma's deputy at a time when corruption in South Africa became endemic and apparent.