



Weekly Political and Economic Review 10 January 2020



1. Policy/Legislative Updates

1.1. Beneficiary Selection and Land Allocation Policy

- On the 3rd of January 2020, the Minister of Agriculture, Land Reform and Rural Development (DALRRD) published the Beneficiary Selection and Land Allocation Policy for public comment;
- It seeks to provide a uniform, fair, credible and transparent process and criteria for selection of beneficiaries for land allocation or leasing of State properties;
- Furthermore, the draft policy states that the marginalised (smallholder producers, rural and peri-urban residents, military veterans, women, youth and people living with disabilities) “have not been given sufficient opportunities to have access to land” and must therefore be prioritised;
- It also lays down the criteria for selecting the beneficiaries for land allocation or lease of state properties and addresses how different types of land will be used, e.g. for residence, agriculture, industrial development and commonage;
- The document states that “despite various land-reform policy efforts initiated in the post-1994 period, more than two decades later the inequality of land ownership has been left relatively intact”;



- According to the draft national policy, politicians will be eligible for land reform projects after a 12-month period, after leaving public office while state employees will only be eligible after a two-year period on resignation;
- State Owned Entities (SOE) employees will qualify if they undertake to resign upon being allocated a farm and signing a lease agreement, and a cooling-off period of two years will apply for these employees;
- White people, foreign nationals, illegal immigrants as well as (DALRRD) employees will not qualify to be beneficiaries;
- Members of the public can submit written comments to the Department by no later than Monday the 2nd of March 2020.

1.2. Auditing Profession Amendment Bill

- On the 13th of December 2019, Cabinet approved the submission of the Auditing Profession Amendment Bill to Parliament;
- The Bill amends the Auditing Profession Act of 2005;
- The amendment bill proposes that the Independent Regulatory Board for Auditor (IRBA) be empowered to search or subpoena any person with any information required to complete an investigation on improper conduct by the Auditor;
- Auditing firms have described these measures as “extreme”, “unconstitutional” and an illegitimate invasion of privacy;
- The amendments also give the Minister of Finance powers to determine the maximum amount which can be imposed on an auditor that is found guilty following a disciplinary hearing;
- If approved by both Houses of Parliament, the Bill will make its way to the President’s desk to be signed into law.



2. Council Meeting for the Removal of Tshwane Mayor Scheduled for Next Week

- Tshwane’s Acting City Manager, Makgorometje Makgata, withdrew a notice for a special urgent council meeting scheduled for the 9th of January, as per the submitted petition by the Economic Freedom Fighters (EFF) and the African National Congress (ANC);
- The special sitting has now been scheduled for Thursday the 16th of January;
- Both parties have requested a special sitting to table motions of no confidence against Speaker Katlego Mathebe, Mayor Stevens Mokgalapa, Acting Speaker Zweli Khumalo and Chair of Chairs Gert Pretorius;
- Over the past months, the EFF and ANC have been tireless in their goal to unseat the Democratic Alliance (DA) from Tshwane;
- The agenda would also include looking at the dissolution of all section 79 oversight committees;
- Makgata’s withdrawal comes after council Speaker Katlego Mathebe refused to host it, stating that EFF and ANC councillors had falsified signatures in the petition submitted to her office;
- “The same document also looks like a copy and paste of the signatures that were submitted to support the request of the meeting of the [5 December 2019]”;
- Mathebe also cited “tight deadlines” as reason behind next week’s scheduling;



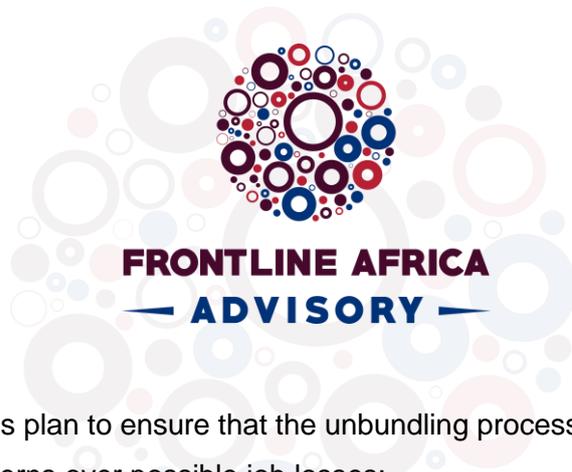
- ANC Tshwane Chair Dr Kgosi Maepa has accused of the DA of postponing their inevitable loss of the City of Tshwane;
- It has been alleged that the EFF and ANC have begun discussions towards forming a 'Metro Unity Government' to govern the city after the DA's removal.



3. Eskom Updates

3.1. De Ruyter Officially Assumes Duties

- Eskom's new Chief Executive Officer (CEO) André de Ruyter officially assumed his new role on Monday the 6th of January 2020;
- This is ten days earlier than anticipated due to the stage 6 loadshedding escalation last month;
- Appointed by President Cyril Ramaphosa in November last year, de Ruyter will oversee Eskom's unbundling process, hoped to increase the utility's efficiency;
- He will also be faced with the challenge of managing the utility's mounting debt and manage its operational challenges;
- According Eskom Spokesperson Dikatso Mothae, de Ruyter met with Eskom staff over the recent public holidays and has made himself more familiar with the business;
- Workers' unions, the National Union of Mineworkers (NUM) as well as the National Union of Metalworkers of SA (Numsa) have not been shy in expressing disapproval over his appointment, labelling it as a setback for the country's transformational agenda;



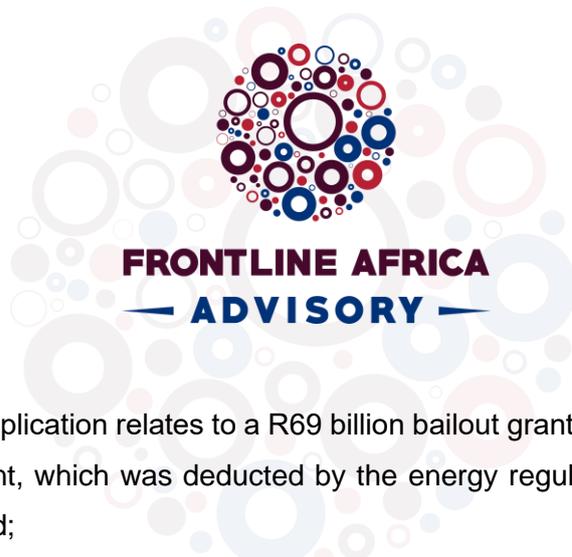
- Both unions plan to ensure that the unbundling process does not proceed, citing concerns over possible job losses;
- Following the recent unexpected bout in power cuts, de Ruyter is faced with the mammoth task of stabilising the country's electricity supply;
- While his appointment has been met with opposition, the government remains confident that his skills and experience will greatly contribute to Eskom's recovery.

3.2. Power Supply Constrained

- On Thursday the 9th of January, Eskom announced plans to implement stage 2 loadshedding from the 9th to the 10th of January due to generation capacity shortages;
- According to the utility, the system remains severely constrained and unpredictable;
- The unexpected stint of loadshedding was triggered by the failure of a 7km-long conveyor belt carrying coal from Grootegeluk mine to Medupi power station, leading to an overnight loss of over 14 000 megawatts;
- Eskom's emergency reserves, according to a released statement, were insufficient to meet demand for electricity during the day;
- The announcement came after Eskom had implemented rotational power cuts from the 1st of January, with an estimated R10 billion injury to the economy largely due to lower business activity;
- Eskom has added that its task teams were hard at work to mitigate the impact of loadshedding and return the generation units back to order.

3.3. Eskom and NERSA Court Tussle

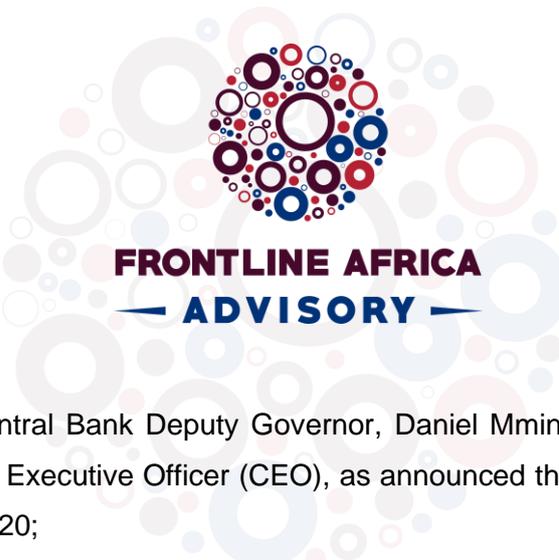
- The National Energy Regulator of South Africa (Nersa) filed court papers in response to Eskom's, which called for the High Court to review and set aside the regulator's tariffs decisions;



- Nersa’s application relates to a R69 billion bailout granted to Eskom by the government, which was deducted by the energy regulator for the current tariff period;
- According to Eskom, the deduction negates the government bailout, leaving them with less than what it had budgeted for tariffs;
- The utility labelled the move irrational, saying it would cause irreparable harm to Eskom and the country’s economy;
- Nersa argued that, should Eskom win its application, tariff prices will increase from an approved 8.1% for this year to 16% with a 5.22% increase for next year;
- The regulator has also highlighted that it was only made aware of the bailout when it was announced in Parliament, despite Eskom’s legal obligation to declare all relevant information to Nersa;
- In its court application, Nersa has accused Eskom of abusing court processes and attempting to conceal the true extent of its inefficiencies and maladministration;
- The review application for the 2018/2019 tariff determination is set down for the last week of January 2020;
- Another review application, relating to Eskom’s regulatory clearing account, will be heard a month from now.



4. Absa Appoints New Group CEO



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— ADVISORY —

- Former Central Bank Deputy Governor, Daniel Mminele, was appointed Absa Chief Executive Officer (CEO), as announced the bank on the 6th of January 2020;
- He will officially assume his duties on the 15th of January, permanently replacing former CEO Maria Ramos who retired in February 2019;
- Mminele holds a German banking qualification and a degree from London Guildhall University;
- Prior to joining the South African Reserve Bank (SARB), he worked in the United Kingdom (UK) and Germany’s banking sector;
- In January 2018, German President Frank-Walter Steinmeier bestowed the Great Order of Merit, the highest individual honour in the country, to Mminele for his work in strengthening German-South African relations;
- Locally, he has worked at Commerzbank in Johannesburg as well as African Marchant Bank;
- After serving his second five-year term at SARB as Deputy Governor, he retired from his position in June 2019;
- According to Absa, interim CEO René van Wyk will step down on the 14th of February, remaining as Executive Director for handover purposes until the end of January 2020, and returning as a non-executive director after a six-month cooling off period;
- Absa has described Mminele as a skilled leader with extensive banking experience;
- The bank hopes that his unique skills and global perspective will assist in driving the bank’s focus on long-term growth that is digitally led across its markets.



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5. World Bank Cuts South Africa's Growth Forecast Below 1%

- The World Bank is the first key institution to cut its economic growth forecast for South Africa to below 1% for the year 2020 due to electricity supply concerns;
- The bank's revision comes as Eskom, which generates about 95% of the country's electricity, resumes rolling blackouts earlier than expected;
- The power cuts threaten to drag on the economy stuck in the longest downward cycle since 1945 and failing to grow by more than 2% annually since 2013;
- The power utility, described by Goldman Sachs Group as the biggest threat to South Africa's economy, puts the country at risk of a second recession in many years after it implemented the most severe power cuts to date in December 2019;
- World Bank indicated, in its Global Economic Prospects report, that it expects the economy to expand by 0.9% this year;
- Some economists warn that the World Bank's new forecast for South Africa's economic growth might be too optimistic for the country to realise;
- The World Bank sees GDP growth averaging 1.4% in 2021-22 if President Cyril Ramaphosa's administration is able to ramp up structural reforms and address policy uncertainty, and if there's a recovery in public and private sector investment.



6. Business Confidence Remains Weak

- According to an index from the South African Chamber of Commerce and Industry (SACCI), the country's business confidence levels declined to an average of 92.6 in 2019 from a two-year high of 95.5 in 2018;
- This is the lowest annual figure since 1985;
- The decline has been largely attributed to the rise in power cuts, delays in policy implementation, deteriorating public finances and the risk of losing the country's only remaining investment-grade credit rating from Moody's Investors Service;
- While sentiment rose following President Cyril Ramaphosa assumed his position as African National Congress (ANC) President, stalled reforms have slumped business confidence;
- President Cyril Ramaphosa's State of the Nation Address along with Finance Minister Tito Mboweni's Budget Speech, however, have been identified as having the potential to turn the tide;
- Upcoming assessments by credit-rating agencies are also expected to influence business sentiment;
- "The economy's potential is wavering and requires positive corrective steps to direct the economy in an appropriate direction."



AFRICA WATCH

1. Ivory Coast

President to Amend Constitution Before Elections

- President Alassane Ouattara said he would propose “modifications” to the country’s constitution;
- He came into power in 2011 after defeating Gbagbo at the polls and Gbagbo’s forces in war;
- Alassane Ouattara wants to step down and pass the baton to a new generation, but will, however, run for Presidency if his rivals Gbagbo and Bedue are candidates;
- The amendment of the Constitution requires approval from Parliament, which consists mainly of Ouattara’s allies;
- Ouattara vaguely mentioned that the proposed revisions were intended to make the constitution “more coherent...to further consolidate the state of law and bring institutions closer to our fellow citizens”;
- He assured the country that the Constitution amendment is not “a manoeuvre to push anyone aside” by imposing an age limit to running for elections in Ivory Coast.

2. Gambia

President Launches New Political Party

- Gambian President, Adama Barrow has launched his own political party;
- This happened after his former party, United Democratic Party (UDM), deteriorated after he fired party leader, Ousainou Darboe over differences in 2019;
- Barrow has formally registered the new party, the National People’s Party (NPP), with the Independent Electoral Commission, making him the leader and secretary of the party;
- The formation of the new party frees him from the coalition that helped him win the Presidency three years ago;
- Thousands of demonstrators demanded that he steps down after three years as he pledged in an informal agreement amongst coalition members;
- The Constitution grants him a five-year term;



- Barrow was sworn in on January 19, 2017, when Yahya Jammeh resigned and went into exile after a regional political-military intervention.

3. Ethiopia

3.1. Ruling Coalition to Legally Separate

- The Tigray bloc of Ethiopia's ruling coalition announced on the 6th of January 2020 that it would "legally separate" and instead work with parties that share its ideologies;
- The decision by Tigray Peoples Liberation Front (TPLF) was reached after a two-day emergency meeting;
- In the emergency meeting, members of TPLF voted against merging with the newly formed Prosperity Party and formally break away from the People's Revolutionary Democratic Front;
- TPLF opposed the merger to form the Prosperity Party, which was championed by reformist Prime Minister Abiy Ahmed and called it "illegal" and "undemocratic".

3.2. Anti-Terrorism Law Amended

- The Ethiopian parliament, on the 26th of December 2020, approved amendments to the country's controversial anti-terrorist legislation;
- The old version had been in place since 2009 and had been used to control protests and other forms of dissent;
- The law replaces old legislation which described terrorism as any gathering that disrupted public services;
- The new version guarantees workers' rights to strike even if they "obstruct public services" an offense the law otherwise classifies as terrorism;
- This new law removes text invoked to arrest scores of journalists and politicians over the years;
- Prior to April 2008, the government routinely used the law to detain and charge activists, journalists and opposition politicians;
- Amnesty International said the legislation still had potential for abuse, but had some pro-human rights elements;



- Ethiopia has changed repressive laws and reformed some institutions since Prime Minister Abiy Ahmed took office in April 2018.

4. Guinea-Bissau

Umaro Sissoco Embalo Wins Elections

- Guinea opposition leader, Umaro Sissoco Embalo won the Presidential elections, picking up 53.55% of votes;
- His rival Domingos Simoes Pereira, head of the country's history ruling party, the African Party for the Independence of Guinea and Cape Verde (PAIGC), took 46.45%;
- Umaro Sissoco Embalo takes over from Jose Mario Vaz, who came to power in 2014;
- 47 year old Embalo is a Reserve Brigadier General and a former Prime Minister serving under Vaz between 2016 and 2018 before representing Madem Party;
- The losing candidate who ran on the ticket of the ruling party, the PAIGC, Domingos Simões Pereira, denounced what he said was electoral "fraud.";
- Pereira said he will use all legal means to contest the results;
- "I am ready to lead this army of young people who are willing to recover the truth. We cannot accept the results presented today. It is a scandal";
- The second round of elections was endorsed as free and transparent by ECOWAS, although it noted a low voter turnout;
- The National Electoral Commission (CNE) reports turnout at 72.67%.