



Weekly Political and Economic Review - 09 June 2023

Policy/Legislative Updates

Briefing on the South African Post Office Bill

- On 6 June, the Department of Communications and Digital Technologies briefed the Portfolio Committee on Digital Communications on introducing the SAPO Bill;
- According to the department, the bill's main aim is to expand the mandate of the South African Post Office, and repurpose its infrastructure to provide diversified and expanded services.
- The Post Office is in dire financial straits with the group being placed under provisional liquidation;
- This was done by exploiting the group's current infrastructure capacity to extract value and forge partnerships with other stakeholders;
- Some of the more notable proposed amendments include:
- SAPO providing logistics and e-commerce services and serve as a logistics partner for e-commerce and other logistics players, including SMMs and informal traders;
- SAPO serving as a digital hub for businesses and communities;
- SAPO providing different services at the post office and service points based on a needs assessments for a particular area and to ensure the effective usage and enhancement of the retail offering and services – charging different fees for different services and areas, subject to the approval of the Authority.
- The Post Office will also be allowed to continuously adjust its business model in line with the technological and industry developments in the provision of postal services and other services – including the roll-out of service points and the use of third-party infrastructure and other related services subject to the approval of the minister in charge.
- In the latest 2023 Budget, National Treasury announced that SAPO would get another bailout of R2.6 billion from government coffers.

Possible Implications

- According to their financial results, the SAPO has been losing millions in taxpayer money every year since 2013, and these losses have been steadily increasing;
- The bailout method seems to be opening SAPO to further financial irregularities, as it does not seem to have yielded positive results from the first bailout request of 2020;
- There has been no commitment to clarify on the reasons that explain why previous bailouts have not worked, nor is there clarity on what the latest bailout will achieve;
- The continuous mismanagement also seems to have exacerbated South Africa's unemployment crisis;
- SAPO's liabilities outweigh its assets by R4 billion and the entity carries debt of R8 billion; a fact that has led to the retrenchment of some 6,000 people as well as a 40% reduction in salaries due to its financial constraints.

Draft National Small Enterprise Amendment Bill

- On 07 June, Cabinet approved the introduction of the draft National Small Enterprise Amendment Bill to Parliament;
- The draft Bill aims to amend the National Small Enterprise Act (Act 102 of 1996) and provides for the establishment and registration of the Office of Small Enterprise Ombud Service;
- It seeks to broaden fair processes for small enterprises through the Ombud Service, which will be tasked with considering and disposing of complaints by small enterprises;
- In addition to the setting up of the Office; the amendments also include the appointment of an Ombud and Deputy Ombud; the allocation of powers and functions of the Ombud; receipt of complaints, prescription, jurisdiction, and investigation; determinations by Ombud; staff of office; delegation by Ombud, Deputy Ombud and Director.

Possible Implications

- Implementation of the amendments would lead to the realisation of greater stability to the sector, and advance economic opportunity through the creation of job opportunities by small, medium, and micro enterprises.

Briefing on the Public Service Amendments and Public Administration Management Amendments Bills

- On 7 June, the Portfolio Committee on Public Service and Administration received a briefing from the Department of Public Service and Administration on the first introduction of the Public Service Amendments Bill as well as the Public Administration Management Amendments Bill;
- The process to amend the Public Service Act (1994) and the Public Administration Management Act (2014) was initiated in 2019;
- The Public Service Amendment Bill seeks to, among others:
 1. Provide for the devolution of administrative powers from executive authorities to heads of department;
 2. To augment the role of the Director-General in the Presidency to support the President;
 3. To provide for a mechanism to deal with the recovery of overpayments of remuneration and benefits; and
 4. To clarify the role of the Public Service Commission in respect of grievances.
- While the Public Administration Management Amendment Bill is aimed at further providing for the transfer and secondment of employees; as well as to provide clarification regarding the prohibition against employees conducting business with organs of state;

- The genesis of the provisions arises from, amongst others, the National Development Plan, changes in labour legislation and policy, the objectives of the Single Public Administration Initiative, the National Framework towards Professionalisation of the Public Sector and the Response Plan of the President to the Zondo Report;
- Ultimately, the Bills seek to improve the State's capacity (employees with the necessary skills and attributes) and capability (systems, structures, processes, governance instruments, technologies, and innovation) to deliver services to the citizens of the country;

Possible Implications

- Once enacted, the Bills have the potential of strengthening the integrity of appointment and career management practices in a public service that has long been plagued by allegations of political interference and poor service delivery;
- Building a career in public service should be based on two essential features: political insulation and a ready pipeline of competent and upwardly mobile recruits;
- Although this does not directly tackle the thorny issue of political involvement in the recruitment of public servants, it does install more rigorous quality control checks to address the historically uneven quality of candidates entering the senior ranks of the public service via the open competition system, which has been susceptible to political interference;
- Professionalising the public sector includes targeting 'exceptional' university graduates with at least a Bachelors' qualification, who would be exposed to a range of formal assessment and workplace activities, including examinations, courses, group-work/simulation exercises, interviews, mentoring and work placements;
- Specific targets should be talented graduates with a tertiary qualification in, e.g., Public Policy Administration and Management, Political Science, and International Relations, Public Law, Public Sector Economics, and related fields who are interested in pursuing a career track in general management.

Economic Updates

SA Private Sector Economic Activity Contracted for a Third Consecutive Month

- On 5 June, The S&P Global South Africa Purchasing Managers Index (PMI) showed that private sector activity had contracted for a third consecutive month in May as rolling power cuts and inflationary pressures continued to weigh on businesses;
- According to David Owen, economist at S&P Global Market Intelligence, "after a promising (albeit slight) uplift in new business during April, customer demand was back in negative territory, adding to a steep and accelerated drop in output";
- He added that firms continued to face severe inflation, driven by weakness in the rand, high electricity costs and elevated wage pressures;
- Eskom has also warned that it may have to increase power cuts to an unprecedented level this winter;
- "The bleak energy outlook over the winter suggests that more companies will look for alternative electricity sources, pushing costs and customer prices even higher," said Owen.
- A market economy, driven by a strong private sector, remains crucial in advancing human development;
- Growth in the private sector is good for the economy as well as for the poor, particularly because of its ability to create employment opportunities.

Possible Implications

- At a 'low-skill level', businesses in small towns and in townships will employ the poor, giving them an opportunity to earn income and finance their livelihood;
- An increase in private businesses that produce goods and services, which will be better for South Africa's poor;
- Increased competition amongst private businesses. For instance, the electricity supply problems faced by the country are so because (amongst a myriad of challenges) of Eskom's monopolistic hold over the generation and supply of electricity through the prevention of competition.

Interim Blue, Green and No Drop Watch Reports Show Deterioration of SA's Water Sector

- On 6 June, the Department of Water and Sanitation (DWS) revealed alarming information about the state of water and sanitation services in South Africa;
- Following the publication of the Green Drop Certification Programme report in April 2022, the DWS issued non-compliance notices to 90 municipalities, requesting the municipalities to submit corrective action plans to address the identified shortcomings;
- Concerns around the quality of water in the country have come to the fore after the recent cholera outbreak;
- So far, 26 deaths have been recorded, with around 130 active cases in five of South Africa's nine provinces;
- DWS director-general Dr Sean Phillips said that the performance of municipal wastewater systems has been declining since 2013, when the last Green Drop assessment report was done prior to the programme's resuscitation in 2021.

Possible Implications

- Poor-quality wastewater systems lead to polluted freshwater sources which in turn makes it more expensive and difficult to treat the water for drinking (and other) purposes;
- Even more importantly are the potential public health impacts;
- The possible adoption of an additional reporting system, similar to the Green and Blue Drop programme, that addresses water quality after the point of discharge;
- An easily accessible system of displaying results to citizens in showing the state of freshwater sources in the country;
- The possible implementation of rigorous data collection methods, validation and accountability.

South Africa Seeks Water Investment with New Procurement Office

- On 6 June, Bloomberg announced that a Water Partnership Office (WPO) is being set up by the state-run Development Bank of Southern Africa (DBSA), and initial funding for its establishment may come from the Green Climate Fund (GCF), a more than \$12-billion international financing facility;
- Group executive for project preparation at DBSA, Catherine Koffman, said in an interview that what the Independent Power Producers Office did for renewable energy, the WPO wants to do for water;
- The new office is another sign that South Africa's government is trying to lure more private investment to arrest a decline in the quality of services of everything from energy and water to freight rail and ports;

- A national water plan released in 2019 said R900-billion (\$47-billion) needs to be spent on water-supply and storage infrastructure by 2030;
- The cholera outbreak highlighted the state of a wastewater treatment plant that supplies Tshwane's about 3.6 million poorest citizens;
- In addition to the growth of its urban areas, South Africa is grappling with climate change as the nation is already one of the world's 30 driest countries where rainfall, while variable across its territory, averages less than 500 millilitres per annum.

Possible Implications

- The conditions of water infrastructure play an important role in a country's economic development and growth;
- Water infrastructure refers to all types of infrastructure that is water-related, from water supply to treatment, storage, water resources and management;
- Without sufficient water infrastructure, the living conditions of the citizens are heavily impacted;
- South Africa has, over the past few years, been experiencing municipal water infrastructure challenges. Previous seasons of droughts have affected many cities across the country, with a projected 17 percent water deficit by the year 2030;
- This is an indication that water scarcity will continue to be a challenge if there are no investments channelled to water infrastructure;
- If implemented successfully, the Water Partnership Office will be able to arrest the developmental backlogs brought about by a lack of efficient water infrastructure.

SA Narrowly Avoids a Recession

- On 6 June, South Africa narrowly avoided a recession as the economy grew marginally in the first quarter, data by Statistics South Africa (StatsSA) showed, with manufacturing and finance holding up relatively well despite crippling power cuts;
- The economy grew 0.4% in quarter-on-quarter terms in the first three months of 2023, and 0.2% year on year;
- Eight of 10 industries tracked by StatsSA recorded growth in the first quarter, with manufacturing and finance, real estate, and business services making the biggest positive contributions;
- Agriculture, forestry and fishing were the biggest drag on growth;
- Statistician-general Risenga Maluleke said food and drinks manufacturing had performed particularly well, partly because the sector was not as electricity-intensive as other types of manufacturing;
- "Household consumption was driven largely by restaurants and hotels, and when you look at that, with load shedding, where do people get their food? They have to call on Uber Eats or order from restaurants," Maluleke said;
- Despite the country avoiding a technical recession, defined as a fall in GDP for two successive quarters, economists remain pessimistic about South Africa's economic growth prospects.

Possible Implications

- Had the economy contracted in the first quarter, SA would have been considered to be in a technical recession;
- Since the first quarter of 2023, the electricity situation has intensified, with the country being mostly in stage six blackouts;
- Severe power cuts, tight fiscal and monetary policy (possibly more interest rate increases), and a weak rand against major currencies after the US accused South Africa of supplying weapons to Russia, all mean that the economy is likely to merely stagnate this year;
- Power cuts are adding to price pressures which is likely to prompt the central bank to keep policy tight for longer. Austerity will remain a headwind (a negative factor that could affect the growth of the economy) and external demand (the quantity of goods and services that are produced in a country and that are demanded by residents abroad) may be weak over the coming quarters.

Government Updates

Outcomes of Cabinet Meeting of 07 June 2023

- On 08 June, cabinet released a statement detailing the outcomes of the meeting which took place on 07 June;
- On the cholera outbreak management, cabinet welcomed President Cyril Ramaphosa's visit to Hammanskraal, and called on the affected communities to remain vigilant and to take special care of children;
- Cabinet also welcomes the cooperation between the City of Tshwane and Department of Water and Sanitation on the planned upgrade of the Rooiwal Water Treatment plant, which will be undertaken over three phases at a cost of R4 billion;
- On water-related issues, cabinet noted the implications of the 2023, Blue, Green and No Drop Watch reports which indicate that there has been a decline in drinking water quality and an increase in non-revenue water since the last Drop reports were issued;
- Cabinet noted that the Minister of Water and Sanitation will in the following weeks announce measures per Province aimed at addressing the current state of affairs in relation to water and wastewater management;
- On energy, cabinet welcomed the recent deliberations between the Minister of Electricity, Dr Kgosisentsho Ramokgopa and the Mozambican Minister for Mineral Resources and Energy, Carlos Zacarias, to secure additional power from Mozambique to support the national grid;
- On Operation Vulindlela, cabinet noted that the number of completed reforms has risen from three to 11, while a further 14 reforms are on track and also said the primary focus is on addressing the electricity crisis and improving the efficiency of freight rail, both of which are weighing heavily on economic growth;
- Cabinet welcomed the partnership with mining company Impala Platinum in Rustenburg on the building of a clinic and early childhood development centre as part of its Social and Labour Plan;
- Cabinet welcomed the partnership initiative between Government and organised business to actively work towards removing obstacles to inclusive economic growth and job creation;
- Cabinet also noted that the South African Police Service has set aside nearly R2 billion to procure drones and vehicles to enhance visibility in order to monitor and protect communities affected by crime;
- On preparations for the upcoming BRICS' Summit, cabinet noted the gazetting of a notice for the Diplomatic Immunity and Privileges Act, which is a standard practice for international summits held in South Africa, adding that the immunities are meant to protect the conference and its attendees from the jurisdiction of the host country for the duration of the conference.

Cabinet Decisions

- Cabinet approved bi-annual performance progress reports for the period October 2022 to March 2023 that form part of the Medium-Term Strategic Framework (MTSF) 2019-2024;
- Cabinet also considered a report on progress with measures to reduce theft of scrap metal and copper cable, and further indicated that a statement will be issued as soon as the matter has been considered.

Senegal: 15 Killed After Opposition Leader Sentenced to Two Years in Jail

- On 07 June, Senegal's interior ministry announced that least 16 people had reportedly been killed and hundreds of others injured, while police had arrested around 500 people across several cities;
- Days of violent clashes erupted late last week between security forces and supporters of Ousmane Sonko (48) – the 2024 presidential candidate and leader of the opposition PASTEF party after he was sentenced in absentia to two years in prison for "corrupting the youth" on 01 June;
- "We have noted, with regret, violence that has led to the destruction of public and private property and, unfortunately, 16 deaths in Dakar and Ziguinchor," Interior Minister Antoine Diome said on national television";
- Thus far, the United Nations, African Union as well as the Economic Community of West African States have voiced their concerns and called for calm;
- Sonko faced allegations of sexual assault where he was accused of raping a woman who worked in a massage parlour in 2021, when she was 20, and making death threats against her – accusations he has since denied;
- Although the court cleared Sonko of rape, it found him guilty of a separate offence described in the penal code as immoral behaviour towards individuals younger than 21;
- A former civil servant, Sonko rose to prominence in presidential elections in 2019, coming third after a campaign that took aim at President Sall and the country's ruling elite;
- He portrays Sall as corrupt and a would-be dictator, while the president's supporters call Sonko a rabble-rouser who has sown instability;
- His initial arrest on rape charges in 2021 sparked several days of clashes that left at least 12 people dead.

Possible Implications

- Sonko's sentencing threatens the Senegal's long-established political stability and also sets a worrying tone for the 2024 presidential elections;
- It is also an indication that as the 2024 election approaches, the threat of civil unrest will increase and be exacerbated by Sall's government's efforts to curtail opposition and freedom of expression;
- With Senegal's electoral law making it unlawful for those charged to participate in elections, Sonko's chances of running as a candidate during next year's elections have simply vanished;
- It is also worth noting that some of the underlying roots of the unrest are both political and socio-economic. For instance, consumer price inflation has slowed since late 2022, but hovers at around 9%, with food prices up more than 11% year-on-year;
- Thus, transportation costs, rents, electricity tariffs, and fuel prices are also still unaffordable for many Senegalese;
- Even while the country's economy has been growing at record rates on the back of sizable investments in extractive sectors and infrastructure projects, including both renewable and gas-fired power plants, living conditions for many people have not noticeably improved;
- Whether the police plan to detain Sonko imminently to commence his prison sentence remains unclear, though such a move would likely throw fuel on the fire of recent tensions;
- To calm the situation on the ground, regional organisations such as the AU and ECOWAS ought to use their influence to press Senegalese authorities to end their repression of protests and critics.

Sudan: AU's Peace and Security Council wants End to Conflict Without Preconditions

- On 27 May, the Peace and Security Council (PSC) of the African Union (AU) called for an immediate end to the conflict in Sudan without preconditions from the warring factions;
- This as fighting in Sudan has entered its seventh week with gunfire exchanges in some parts of the country, particularly in Khartoum, Zalingi, Central Darfur, Al Fasher, North Darfur, and Al Obeid, North Kordofan, despite a week-long ceasefire agreed upon on 22 May;
- The PSC also called on the Sudanese Armed Forces (SAF) loyal to the de facto head of state, General Abdel-Fattah Burhan, and the Rapid Support Forces (RSF) of Mohamed Hamdan Dagalo alias Hemetti, to allow the resumption of "the political transition process culminating in the conduct of elections, towards a democratic, civilian-led government";
- Additionally, the PSC adopted what it called the AU Roadmap for the Resolution of the Conflict in Sudan which calls for the: establishment of a coordination mechanism to ensure all efforts by regional and global actors are coordinated and impactful; achievement of immediate, permanent, inclusive, and a comprehensive cessation of hostilities; as well as strategic role of neighbouring states and the region in the process of coming up with an Africa-led solution;
- Meanwhile, in a statement, special Envoys and representatives from Norway, the United Kingdom, the United States, and the European Union welcomed the AU's Communiqué, and have reaffirmed their support for African leadership and the AU's Roadmap for the Resolution of the Conflict in Sudan;
- Additionally, they welcomed the AU's work to establish an Expanded Mechanism and its Core Group to ensure inclusive and coordinated regional and international action to secure a viable peace process, and the resumption of the transition to civilian government and democracy in Sudan;
- When the war erupted, countries from across the world began to evacuate their citizens, while locals had to face up to the reality of the conflict;
- According to the federal ministry of health, there have been at least 730 fatalities and over 5 500 injuries nationwide since 15 April;
- The United Nations (UN) says almost 1.4 million people have been displaced – making the situation worse for a country that has already had decades of political instability.

Possible Implications

- Who is likely to be the most successful as a mediator is a question that needs to be addressed urgently in the ongoing Sudan civil war;
- However, an AU-led mediation process promises a better and more stable peace agreement than a non-African mediation process;
- Firstly, the AU successfully mediated in 2019 in Sudan after the military overthrew former President Omar al-Bashir – an intervention that helped significantly at the time, to prevent the country's descent into a military dictatorship;
- Secondly, the AU has the trust of Sudan's warring parties after its successful mediation in 2019 – an intervention that was in line with the union's policy to provide "African solutions to African problems";
- A repeat of the implementation of the AU's policy to provide African solutions to African problems, which played out in Ethiopia in November 2022 when the organisation helped negotiate a cessation of hostilities agreement between prime minister Abiy Ahmed's government and the Tigray People's Liberation Front;
- Lastly, the AU has refrained from taking a position on the conflict, which makes it a suitably neutral negotiator.

Zimbabwe: Presidential and Parliamentary Elections Set for August 23

- On 31 May, President Emmerson Mnangagwa announced that Zimbabwe will hold its presidential and parliamentary elections on 23 August 2023, as the southern African country battles a raging economic crisis;
- Mnangagwa, elected president in 2018 after a military coup that deposed President Robert Mugabe the previous year, is seeking a second term in office;
- The 80-year-old's main rival is lawyer and pastor Nelson Chamisa, 45, who leads the newly formed Citizens Coalition for Change (CCC);
- Apart from the presidency, the election will also decide the composition of the 300-seat parliament and close to 2,000 local council positions;
- The election proclamation comes amid parliamentary debates over electoral reforms;
- Meanwhile, Chamisa's CCC is demanding access to an audit of the voters' roll, as well as public media access that it says will help level the playing field before the polls;
- Zimbabwe's economy is yet to recover from decades of decline and bouts of financial chaos under the leadership of Mugabe, with the opposition blaming the government for growing corruption and economic mismanagement;
- Mnangagwa has said his ZANU-PF government has done well to re-engage with Western countries which he blames for Zimbabwe's economic woes and failure to service a burgeoning debt;
- The opposition CCC has said it will restore the rule of law and unlock foreign funding if voted into power.
- The conduct and outcome of the upcoming election is expected to be of huge interest, particularly from Zimbabwe's neighbours, especially South Africa, as well as the broader Southern, Eastern and Central Africa;

Possible Implications

- The political activity and decisions taken in Zimbabwe has a direct and indirect effect on the Southern African region as well as on the image of Africa as a whole;
- A highly contested political battle may lead to a different outcome, however, this will be determined by the fairness of the election.
- Long-term economic recovery as a result of inheriting a mountain of economic woes that have been decades in the making.
- Possible influx of foreign investment dependent on who wins the election and what posture they take.
- Possible re-engagement with multilateral organisations and donors to sort out the massive debt problem that the country is engulfed in, whilst trying to reconnect to the mainstream sources of financing.

Nigeria: Bola Tinubu Inaugurated as President

- On 29 May, Nigeria's long-time political kingmaker Bola Tinubu (71) was sworn in as president, succeeding Muhammadu Buhari (80), a former general who stepped down after two terms in office;
- Tinubu took over as President at a time when Africa's most populous nation faces a sea of economic troubles and security challenges;
- In a live broadcast from the capital Abuja's Eagle Square, Tinubu promised to unite the nation and to tackle insecurity as "top priority";
- As one of its economic priorities, Tinubu said his government intends to "re-channel the funds (of subsidising fuel) into better investment in public infrastructure, education, health care and jobs";
- Meanwhile, Kashim Shettima was sworn in as vice president, taking over from Yemi Osinbajo;
- Tinubu and Shettima were declared winners of the 25 February election, gaining the highest number of votes – 8.8 million – and picking up the required number of ballots across two-thirds of Nigeria's states;
- Buhari, who Tinubu has bragged he helped put into power in 2015, promised to tackle graft and insecurity while in office but disappointed many;
- Troops are currently battling gangs of heavily armed criminals and kidnappers in central and north western states, oil thieves, pirates and separatists in the southeast, and a 14-year-old jihadist insurgency in the northeast;
- Foreign leaders and representatives present at the ceremony included presidents Cyril Ramaphosa of South Africa, Paul Kagame of Rwanda and Nana Akufo-Addo of Ghana as well as delegations from the US, Britain and China.

Possible Implications

- Continuous court battles challenging Tinubu's win due to allegations of corruption in the election.
- Poor national security, a fiscal crisis, growing poverty and deepening public discontent with the state could threaten Tinubu's presidency in the first 100 days.
- An agile and responsive cabinet that will properly address the pressing needs of Africa's biggest economy and most populous nation.
- Continuation of anti-money laundering efforts in order to remove Nigeria from the grey-list.
- The development of a consumer credit system which could spur more investments, especially in the tech and real estate markets.