



South Africa: Political & Economic Outlook.

Hortgro Symposium.

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Russian-Ukraine War: Implications.

- Price hikes – transport, energy & food;
- Squeezed public finances, drag down economic growth;
- Eskom may increase power prices;
- Uncertainty- increase volatility of currency;
- Pressure to increase interest rates;
- Investors, put a brake on any new investments;
- Western governments development aid goes to Eastern Europe – NGO service delivery undermined;
- SA may be politically isolated for Russia support;
- Above, combined with poor public service delivery, ongoing corruption and ANC unresponsiveness;
- Rising unemployment, strikes;
- More violent unrests – like July looting;
- Beginning of end of ANC domination.



Russia-SA-BRICS Connection.

- BRICS countries likely informed prior to invasion;
- BRICS members agreed to stay neutral – at least;
- ANC: see Russia as the Soviet Union – old struggle debts;
- Personal-political relations, got patronage from Putin – Zuma, Mabuza;
- Many ANC leaders are invested in Russia’s investments in South Africa;
- Donations to ANC;
- Deal with Zuma to have Russia build nuclear – payday for ANC and ANC leaders;
- ANC allegiance – not in economic interests of SA Inc.



Post-Russia-Ukraine War World.

- Multipolar;
- End of post-Cold War US-led Western hegemony;
- BRICS + Plus + dictatorships;
- UN, World Bank, IMF, WTO – in crisis;
- Breakdown of global rule of law;
- Nuclear-states vs non-nuclear;
- Energy nationalism – return of coal, nuclear, shale – to secure energy security;
- Boost of arms industry.



Reforming a SOE – ESKOM.

- Even if political will, changes may take at least double the time if it was a private company;
- Financially costly, may be cheaper to close the SOE or give it to the private sector;
- So-called “death spiral” phenomenon- ever rising fixed costs, prices and alternative sources of energy and competition, makes energy utilities redundant;
- Entrenched interests closely tied up with the political interests in the governing ANC;
- The key cost metrics at Eskom that needs to be reduced are all captured by interests linked to the ANC;
- ANC leaders reluctant to clean-up, because it would either undermine the “unity” of the ANC;
- And upset key voting blocs within the party;
- Contradictory to hardline ideological positions of key leaders in the party.

Eskom: Essential reforms politically unpalatable.

- Bloated staff count, employee wage, benefits - reforms opposing by unions;
- ANC any job cuts seen as vote-losing;
- Overpriced supplier contracts - belong to politically connected individuals;
- Bring down costs by canceling contracts – seen as opposed to BEE, transformation and “white monopoly capital”;
- Many decisions in Eskom must be approved by the ANC’s top leadership;
- The ANC has strong ideological vested interests undermines turnaround – “coal Mafia”;
- Long-term lack of maintenance of infrastructure have reach critical point - whole system collapses –Eskom.



ANC: Focus on December conference neglect government.

- ANC December elective conference focus paralyse party and state;
- The ANC is a party-state – party and government merges – fights in party engulfs government;
- Very little structural reforms possible until conference completed;
- Likely the most chaotic conference – staff not paid, not organizing;
- Run-up may be violent – battles over who should be conference delegates;
- Disputes over delegates, votes may go to court;
- President Cyril Ramaphosa will be re-elected;
- Desperate attempts by opponents to field a presidential candidate;
- Zweli Mkhize, Lindiwe Sisulu and David Mabuza possible main contenders;
- Ace Magashule can ask for reinstatement.

Zondo Commission Report: Tearing ANC apart.

- ANC itself is under investigation;
- Ordinarily a government would step down, call for early elections;
- Impossible for governing party, to oversee investigation of its own;
- “unity” of the party – priority;
- ANC leaders block investigations;
- Going all out to prosecute the corrupt will unleash a rebellion in the ANC, lead to unseating of Ramaphosa as leader;
- Prosecution of selected: non-leadership ANC members.

State capacity has failed over multiple levels.

- Multipronged interventions are necessary.
- State capacity – coordination of activities – resources, etc, of state and non-state;
- State is actively discouraging working with the non-state actors;
- The ANC has become a party-state, where the party has become interchangeable with the state;
- Lack of capacity in the ANC will translate into plunging capacity in the state;
- Trade unions linked to ANC – makes it difficult to reform the state;
- Unions needed to support Ramaphosa’s re-election at ANC December conference.

Political realignment.

- In 2024 national elections, ANC likely to same support as November 2021 local elections;
- End of liberation era;
- Coalitions the future of SA;
- ANC may be in power in Durban-like coalition – with smaller parties;
- Or in opposition – with opposition parties in governing coalition;
- In opposition, ANC may break into smaller parts, as it loses power of patronage.

Some key risks to economy.

- Fixed Cold War era ideology undermines structural reforms;
- State-centred NHI project risk;
- Most jobs since 2010 created in public sector;
- Infrastructure decline reached levels where it undermines economic recovery;
- ANC focus not on structural reforms, but on band-aids – BIG;
- Outflux of skills, capital and investment;
- Corruption, breakdown rule of law;
- Lack of state capacity;
- Plan for power – without Eskom.