



AFRICA POLICY BRIEF

The slow demise of the ANC: Political change, economic decline, and state corruption in South Africa

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The primary consequence of South Africa's August municipal elections has been the relegation of the once-dominant ANC party to a predominantly rural party that holds onto power through alliances with traditional leaders in rural locations. Consequently, the main opposition will now lead frail minority governments in some of the country's largest cities. Over the next year, President Jacob Zuma will face growing opposition from within the ANC party that will seek to prevent him from seizing control over state-owned enterprises in a bid to approve key spending projects and to influence his own succession. He will also face a challenge from ANC leaders to serve out his full second term until 2019.

INTRODUCTION

On 3 August, South Africa held nationwide municipal elections that were credited by observers as transparent and fair, despite some minor localised irregularities and disruptions. The long-time governing African National Congress (ANC) party gained 53.9% of the total vote, significantly down from 62% at the

previous municipal elections in 2011. Crucially, the ANC lost outright control of councils in several major cities, including the country's largest city Johannesburg, the adjoining industrial and aviation hub of Ekurhuleni, and the administrative capital Pretoria (Tshwane Municipality) in the industrial heartland of Gauteng Province, as well as Port Elizabeth (Nelson Mandela Bay Municipality), an important manufacturing hub and port city in the traditionally ANC-aligned Eastern Cape Province. However, the party still retained the largest share of the vote in Johannesburg.

The main opposition Democratic Alliance (DA) only gained 26.9% nationally (up from 23.9% in 2011). Yet the DA extended its appeal with middle class urban voters and gained the highest share of the vote in Pretoria and Port Elizabeth, while extending its control over the country's second largest city Cape Town in Western Cape Province, where it now leads councils in most municipalities. The radical leftist Economic Freedom Fighters (EFF) party, which was only formed in 2013, gained 8.2% of the vote and will play a key kingmaker role in the hung councils. The Inkatha Freedom Party (IFP) also increased its share of the vote (4.3%), mostly drawn from ethnic Zulu voters in KwaZulu-Natal province.

The elections marked the first time that the ANC's share of the national vote fell below 55% since taking power in 1994. The shift in support from the ANC to opposition parties was motivated by the ANC's weak record on municipal service delivery, such as provision of water, electricity, and housing, as well as economic mismanagement, with unemployment at 27% and the central bank projecting zero growth this year. Moreover, widespread perceptions of corruption implicating senior officials, most notably President Jacob Zuma, have tarnished the party's reputation. Politically motivated interventions in financial policy have also left South Africa's debt just short of a downgrade to non-investment 'junk' grade. Major credit rating agencies postponed a widely expected further downgrade in June until after the municipal elections.

ESCALATING VIOLENCE

The political shifts caused by the municipal elections take place against a background of growing contestation and violent protests. The run-up to the municipal elections was marred by localised outbreaks of violence in some major cities. On 20 June, riots erupted in Pretoria after the ANC named former cabinet minister Thoko Didiza as its candidate for Pretoria's Tshwane municipality. The ANC's local branches had supported incumbent mayor, Kgosientso Ramokgopa, a local to the Tshwane region, while Didiza hails from KwaZulu-Natal province. Moreover, Didiza is seen as a political appointee and closely affiliated to President Jacob Zuma, who is unpopular in Tshwane's Gauteng province. The protests erupted in Pretoria's black townships of Mamelodi, Hammanskraal, Soshanguve, and Atteridgeville and then spread to the central business district and major roads linking the capital to the platinum mining region around Rustenburg. Protesters burned busses and trucks, while

retailers and banks closed as a precautionary measure. The ANC condemned the violence but refused to withdraw Didiza as its candidate. Defence Minister Nosiviwe Mapisa-Nqakula then hinted that the military could be deployed if violence continued to escalate.

State media effectively imposed a black-out on the Pretoria riots, distorting reporting of the violence. The government used its influence at state broadcaster the South African Broadcasting Corporation (SABC) to suppress reports of protests ahead of the elections, while independent analysts are no longer presented on SABC during such reporting. SABC's Chief Operating Officer Hludi Motsoeneng has specifically said that the broadcaster would no longer cover so-called service delivery protests, a decision which was influenced by ANC leaders, such as Communications Minister Faith Muthambi and Minister of Small Business Development Lindiwe Zulu. SABC's Acting Political Editor Sophie Mokoena, who leads on elections reporting, has been in charge of implementing the coverage ban. SABC's radio and television channels draw a cumulative audience of 100 million a week and are the only source of news for South Africa's rural communities, where the ANC still enjoys strong support.

Following the municipal elections, violence also broke out at the country's largest educational facilities. Riots have frequently broken out at universities over the past two years, often including arson attacks and destruction of property. In September, student protesters and private security personnel fought running battles in and around various campuses of the University of Johannesburg (UJ). The violence is indicative of the escalating nature of student protests across South African tertiary education facilities and the spread of the protest movement to previously unaffected campuses.

Classes have been suspended indefinitely at many universities, yet violent protests by student unions demanding various reforms, including the provision of free education, continue across the country.

Grievances over the delivery of public services, such as electricity, housing, and water, have fuelled increasing demonstrations from among particularly poorer neighbourhoods against local governments in various parts of South Africa in recent years, with such demonstrations often becoming violent. Protests are most likely in townships near major cities such as Johannesburg, Cape Town, Durban, and Port Elizabeth. These protests are usually motivated by perceptions of poor quality of services provided to impoverished communities, as well as a perception of local government corruption and unhappiness with the ruling ANC's selection process for local councillors, in which local communities are not consulted. Few of these issues have been successfully addressed, indicating that violent protests are likely to remain frequent over the next few years. Politically-motivated violent protests also are likely to increase and intensify ahead of 2019 national elections.

FRAIL MINORITY CITY ADMINISTRATIONS

One of the immediate consequences of the municipal elections is that many municipalities were left without a clear governing majority which has necessitated the need for coalitions. There is a precedent for coalition formation in South African municipalities, although this has not yet been replicated in major cities. On 17 August, the leader of the radical leftist EFF party, Julius Malema announced his party would not be joining coalitions in the country's largest municipalities with the main opposition DA or the national governing ANC party. However, Malema confirmed that the EFF would vote

with the DA in municipal councils to deprive the ANC of its control over these municipalities.

As a result, the DA has formed minority governments in the two municipalities with the largest expenditure budgets in the country's commercial centre of Gauteng Province: Johannesburg and Pretoria (in Tshwane Municipality). Both the DA and EFF had pledged not to form municipal coalitions with the ANC party led by President Jacob Zuma. The DA will consequently take control of the majority of the country's USD21 billion (in 2015/16) municipal operating budget for payment of salaries and utility procurement, as well as the USD4 billion capital expenditure budget for infrastructure expansion. The capital expenditure budget could outpace the national budget growth rate over the next few years and reach USD4.8 billion by 2018. The DA will also control the port and vehicle manufacturing city of Port Elizabeth (in Nelson Mandela Bay Municipality) in Eastern Cape Province and it already controls the country's second largest city of Cape Town.

The main opposition party's authority over municipal operating and capital expenditure budgets is therefore heavily disproportionate to its share of the national vote – it gained under 27% nationally at the recent municipal elections. At the previous municipal elections in 2011, the DA gained 24% of the national vote and subsequently controlled 16% of municipal budgets. The ANC now only controls 42% of the country's municipal budgets, down from 82% following the 2011 elections, even though it gained 54% of the national vote at the latest elections. This massive disproportion arose from the DA's highly successful targeting of Gauteng's large urban areas at the latest elections.

In Johannesburg, the DA won 38% and the EFF won 11% of the vote, against the ANC's 45%. The new DA mayor Herman Mashaba will preside over a minority government in a council that oversees a USD3.2 billion operating budget and a USD730 million capital expenditure budget. The municipality includes the banking and commercial district of Sandton, as well as large industrial areas. In Pretoria (Tshwane), the DA won 43% and the EFF won 12% of the vote, against the ANC's 41%. The new DA mayor Solly Msimanga will preside over a minority government in a council that oversees a USD1.9 billion operating budget and a USD280 million capital expenditure budget. The municipality includes industrial areas and a large vehicle manufacturing sector.

But the minority governments that will emerge in the two largest metropolitan areas of Gauteng are likely to be frail as important ideological differences exist between the DA and EFF. The EFF advocates nationalisation of banks, mines, and other key industries and seeks expropriation of farmland without compensation for redistribution. Moreover, EFF leader Malema has been charged with tax evasion and money laundering in relation to issuance of public contracts in his home Limpopo Province, though Malema has denied all such charges.

There is no guarantee that the EFF will consistently vote with the DA, which would undermine the administration of some of the country's largest cities and most important industrial areas. This would affect public service delivery, such as provision of electricity, water, and housing. After two years, the EFF could force an election re-run in order to gain a larger share of the vote if the DA's administration has been undermined. In the meantime, the EFF will seek to extract heavy concessions from the DA during negotiations to secure EFF support on municipal council votes. Such weak

administration and persistent horse trading practices could drive policy paralysis and cause delays in city procurement, maintenance and construction contracting, and service delivery. Moreover, municipal contracts signed by previous municipal administrations led by the ANC could face revision. The DA and EFF have campaigned heavily on eradicating corruption from municipal governments and reviewing all procurement contracts, initiating graft investigations into questionable deals, and prosecuting service providers accused of malpractice.

SHIFTING POLITICAL ALLEGIANCES

The primary consequence of the municipal elections has been the relegation of the once-dominant ANC party to a predominantly rural party that holds onto political power through alliances with traditional leaders in rural locations. As a result of the ANC's slide in major cities, the party's support could drop close to 50% in the 2019 national elections. This is likely to trigger a backlash among urban-based ANC leaders, especially those in Gauteng who saw the largest electoral setbacks at the municipal elections. The most likely threat to President Jacob Zuma's dominance is therefore expected to come from Gauteng Province, where the president is particularly unpopular.

The anti-Zuma faction will be supported by influential veteran leaders of the ANC's former armed wing (Umkhonto we Sizwe), as well as the ANC's governing alliance partners labour federation the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP). President Zuma is widely expected to remove SACP and COSATU leaders from influential posts in an upcoming government reshuffle, which would further exacerbate internal alliance relations.

However, President Zuma is unlikely to be recalled or step down as national president until at least December 2017, when the ANC holds an elective leadership congress and when Zuma is due to stand down as ANC party president. He still retains significant control over the party's top decision-making body the National Executive Committee (NEC) and will be able to influence his own succession, which is being contested by two rival camps spearheaded by Deputy President Cyril Ramaphosa, who enjoys the support of the anti-Zuma faction, and by Chairperson of the African Union Commission Nkosazana Dlamini-Zuma. Dlamini-Zuma will depend on the endorsement and political backing of President Zuma, who is her ex-husband, to ensure the support of rural provincial ANC leaders and the party's Youth and Women's Leagues. In the case that President Zuma steps down or is recalled as national president following the August elections, he will be succeeded by his deputy Ramaphosa, which would strengthen his chances of succession in 2017.

The relative political weakness of the two apparent frontrunners is likely to allow more succession candidates to emerge and seek the support of defeated ANC structures in large Gauteng cities. Potential figures around whom support for a third candidacy could rally include former president Kgalema Motlanthe, former Reserve Bank governor Tito Mboweni, ANC Secretary-General Gwede Mantashe, SACP leader Blade Nzimande, and ANC Treasurer-General Zweli Mkhize. Since the ANC has adopted a top-down political slate system to contest the party's leadership, indications of such a third candidacy are likely to become apparent towards the end of 2016, one year ahead of the December 2017 ANC elective congress.

The main implication of such political uncertainty following the 2016 municipal elections will be continued policy paralysis over key pieces of legislation governing the mining, energy, power, private security, and agriculture sectors. Moreover, the government will be unable to implement cost-cutting and business-friendly measures proposed by Finance Minister Pravin Gordhan in February, accelerating a likely downgrade of the country's debt rating to non-investment grade later in 2016. There is also a higher risk that the government proposes new radical and populist policies to boost its support ahead of the 2019 elections. Credit rating agency Fitch says 'this could include costly spending measures that could require breaching expenditure ceilings or redistributive regulatory policies that might undermine economic growth.' Populist proposals already resulted in a review of South Africa's trade status with the US.

The succession contest within the ANC will also trigger outbreaks of violence between partisan supporters, especially within key battleground provinces such as Gauteng. The lead-up to the municipal elections was marked by riots in Pretoria and disruptive strikes at fuel refineries. The political involvement of the trade unions also indicates heightened risk of disruptive industrial action over the next year in key industries, such as mining, manufacturing, power, and transport, as well as the public sector.

ONE LAST STATE GRAB

Following the municipal elections, the ANC faction around President Zuma is leveraging the party's poor performance in the elections as an excuse to impose discipline and unify around the president. On 23 August, police summoned Finance Minister Pravin Gordhan to answer questions over the legality of an alleged 'rogue' unit in the South African Revenue Service

(SARS), which was previously headed by Gordhan. In reaction, the rand currency fell by 4%, before slightly recovering. Markets reacted in the same way as in February, when the allegations were first made public. Pravin Gordhan's attempts to instil new confidence in the country's economy has become the focus of an emerging coalition between moderate members of the governing ANC party and business leaders against the leadership of President Jacob Zuma.

However, Gordhan is being frustrated by allies of President Zuma. State investigative and prosecutorial unit 'The Hawks', which is led by Zuma ally Berning Mthandazo Ntlemeza, has opened an investigation into alleged wrongdoing by Gordhan when he headed the SARS between 1999 and 2009. Gordhan has denied wrongdoing. The SARS is now led by another Zuma ally, Thomas Moyane, who has repeatedly and publicly challenged Gordhan's authority. The increasingly intense dispute between Pravin Gordhan and President Zuma is highly politically motivated as its outcome will have strong implications on Zuma's eventual succession. The dispute also has a seriously negative impact on Gordhan's attempts to avert further downgrades of South Africa's investment rating later in 2016.

Meanwhile, President Zuma is gearing up for a cabinet reshuffle in which his critics are most likely to be side-lined. There have been calls for the suspension from the ANC of the party's entire leadership in Gauteng, where the ANC suffered heavy losses in the municipal elections. President Zuma is also likely to remove members of alliance partner the South African Communist Party (SACP), such as Blade Nzimande and Rob Davies, who have criticised him. Pravin Gordhan is likely to be replaced, which could trigger another collapse in the value of the rand and stock markets, as it did in

December 2015. The ANC Youth League, who are loyal to President Zuma, have also called for the party's elective congress, slated for December 2017, to be brought forward to late 2016. This would catch opponents of President Zuma off guard and scupper any potential formation of a rival political slate to succeed President Zuma as party president or to thwart any attempts for Zuma to run for a third term as ANC leader.

On 22 August, the cabinet also announced the formation of a new committee on state-owned enterprises (SOEs) headed by President Zuma. The committee would have the authority to overrule the finance minister on key spending decisions, such as the proposed restructuring of a USD624 million deal with Airbus Industrie made by national carrier South African Airways (SAA), whose chairperson Dudu Myeni is a close ally of President Zuma. Gordhan has opposed the financing deal, while he has also omitted appropriate spending plans in his latest budget for a number of Zuma's flagship policies, such as a USD90 billion nuclear power expansion and the roll-out of national health insurance.

President Zuma will have two remaining ambitions in his tenure as national president. Firstly, his government will seek approval for high spending projects, such as the SAA financing deal and the procurement of Russian-made nuclear reactors, as lucrative rent-seeking opportunities. President Zuma will also become more ruthless towards his critics and many opponents of his plans will be dismissed in upcoming cabinet reshuffles. Secondly, President Zuma will seek to influence his own succession as party president (unless he runs for a third term) and thus as national president before the next general elections in 2019. Dlamini-Zuma will depend on the endorsement and political backing of President Zuma, while

her relative political weakness is likely to allow more succession candidates to emerge and seek the support of defeated ANC structures in large Gauteng cities, which President Zuma will seek to avoid through cabinet reshuffles and suspensions of opponents from the party.

CONCLUSION

The governing African National Congress party has been relegated to a predominantly rural constituency, which will trigger a divisive backlash from its urban constituency over the next year, causing policy paralysis for key industries, exacerbating security risks, and retaining high probability of a credit downgrade to sub-investment grade. As a result of the ANC's slide in major cities, the party's support could drop close to 50% in the 2019 national elections, increasing the probability that an opposition coalition would replace it at national level for the first time. While President Zuma still controls the ANC's top decision-making body, as well as the security and intelligence services, he will increasingly be seen as an electoral liability ahead of the 2019 national elections, forcing him to be replaced

beforehand. The succession contest will polarise the long-time ruling party and intensify ideological differences among its various interest groups and political allies, potentially accelerating an eventual permanent break-up of the ANC.

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