

SA 2019 ELECTIONS

Understanding South Africa's 2019 General Election and what it means for Business

Will Cyril Ramaphosa's victory at the polls translate into prosperity or disappointment?

More than 17-million South Africans went to the polls on 8 May 2019, giving Cyril Ramaphosa's African National Congress a 57 percent majority to govern the continent's most industrialised economy. FTI Consulting unpacks the outcomes of the most critical election since Nelson Mandela became South Africa's first democratically elected president in 1994 – and what the sixth general election means for political and policy certainty in the country.

Ramaphosa to take bold steps whilst navigating deep divisions in ANC

Cyril Ramaphosa can be expected to move swiftly to invigorate South Africa's sluggish economic growth whilst taking the fight to corruption and increasing the pace of basic service delivery on the back of a gruelling election battle.

Ramaphosa's every move will be under close scrutiny in coming weeks and months as the world watches for signs that the unionist-turned-businessman-turned-President will deliver on his promise to lift South Africa out of nearly a decade of decay.

New investments and policy coherence. Economic growth and transformation. Jobs and skills development. Special programmes aimed at youth and women. Housing and basic services. Fighting corruption and holding the thieves to account. These are just some of the priorities which the new Ramaphosa-administration can be expected to focus on over the short- to medium-term.

The first major post-election milestone will be Ramaphosa's announcement on 27 May of a reconfigured government structure and the appointment of his Cabinet amid expectations that he will cull the country's bloated Executive – currently 34 Ministers and 37 Deputy Ministers - which he inherited from his predecessor, Jacob Zuma.

The incumbent's reforms will inevitably meet resistance from within his own party. Ramaphosa has signalled that he will do away with incompetent ministers, telling ANC supporters at a post-election celebration in Johannesburg on Sunday that "we are going

to appoint men and women who have great capability, who are visionaries and who know their story."

The composition of Ramaphosa's cabinet is likely going to upset those ANC National Executive Committee members who will lose the benefits which come with holding a ministerial post and may further fuel a 'fightback' against the clean-up underway in party structures. In stark contrast to Zuma's manoeuvres upon becoming President in 2009, when he expanded the Cabinet to accommodate many NEC members and ensure they were beholden to him in the process, Ramaphosa's move to cut the Executive is counter-intuitive by his predecessor's standards and will likely fuel a last-ditch backlash by his detractors within the ANC, not least those who face prosecution and potential jail time for corruption and grand-scale looting of State resources. Several senior ANC members looked on in dismay as an animated Ramaphosa told a massive party rally last week that "those responsible for state capture and corruption will be held to account" and "those found guilty of corruption or involvement in State Capture will not be allowed to occupy positions of responsibility, either in the ANC, in Parliament or in government."

A stark indicator of the deep divisions within the governing party was the refusal of ANC Secretary-General Ace Magashule to acknowledge that Ramaphosa's personal brand had helped the ANC to win the election. Addressing a news conference at the Commission's national results centre, Magashule scoffed at ANC Elections Head Fikile Mbalula's statement that Ramaphosa had contributed to the party's success at the polls. "That's nonsense. People are electing the ANC. It's not about an individual," said Magashule. However, the numbers clearly point to the 'Ramaphosa-factor'; some 650,000 voters made their cross for the ANC on the national ballot but placed it elsewhere on the provincial ballot. ANC leaders in Gauteng province attribute the party's razor-thin 50.19 percent victory in the continent's business hub to Ramaphosa's role in the campaign, narrowly saving the ANC from having to enter into a coalition to form a government.

With a decisive mandate in hand, it is expected that Ramaphosa's detractors will be neutralised as he asserts authority over the State and party by fighting corruption and delivering economic growth.

Prioritising growth, development & transformation

The table is set for President Ramaphosa's "New Dawn" commitments to gather pace, but business should take the initiative to promote bottom-up pact-building to promote faster and more sustainable action on the economy. Ramaphosa can be expected to advance his "New Dawn" proposals to revive investor confidence, improve service delivery and economic governance and increase the pace of inclusive growth. Key economic priorities will include the stability of agriculture, mining and the country's electricity supply, largely through the restructuring of Eskom; promoting export-oriented manufacturing and tourism; bringing down the cost of communications to promote advanced manufacturing, technology, renewable energy and financial inclusion; more enabling quality education, health and other social services; a commitment to fiscal discipline that prioritises productive spending; and the reforming of state assets to support economic growth (including the possible full or part disposal of

non-essential state assets). The President will likely intensify efforts around his investment initiative, currently driven by envoys Jacko Maree, Trevor Manuel, Mncebisi Jonas, Phumzile Langeni and coordinated by Trudi Makhaya. Similarly, the Private-Public Growth Initiative currently driven by DPME Director-General Portia Molefe, retired politician Roelf Meyer, Toyota SA Chairperson, Toyota Europe CEO Johann van Zyl and Gordon Institute of Business Science leader Prof Nick Binedell can expect to work harder in pursuit of economic growth.

In the current spread of business-government cooperation programmes there is however still too much emphasis on high-level agreements and institutionalised high-level social dialogue. Business would therefore do well to take the initiative to promote bottom-up pact-building at plant, company, industry levels and through value chains to promote shared value, improve corporate governance, increase the pace of employment take-up in the economy and explore greater domestic take-off and international market access for South African goods.

Ruling party persistence with key concessions to the left should be approached with open minds and a pragmatic willingness to comply with outcomes in the interests of the greater political unity required to take the country forward. This includes the implementation of the national minimum wage of R20 per hour which came into effect on 1 January this year, the constitutional codification of Expropriation Without Compensation (EWC) as a conditional instrument of government to promote land reform and other social and economic goods and the so-called nationalisation of the South African Reserve Bank (SARB). President Ramaphosa has proved very adept at steering negotiations around market-sensitive concessions to the left in a manner that produces inclusive trade-offs. This has been proven through the greater alignment between business, government, labour and civil society achieved during the negotiations for the agreement on a national minimum wage, and in the broad-ranging consultation processes to finalise a position on the constitutional codification of EWC.

Compliance with the National Minimum Wage Act and proactive engagement with Parliament to ensure the expeditious but proper codification of EWC with the necessary limitations and safeguards in the Constitution is fundamentally in the interests of business to promote a certain policy environment that will draw coordinated responsiveness from government to ameliorate critical business challenges in the national interest.

The proposed nationalisation of the SARB is another contentious matter that should be approached in the same proactive and open manner with due consideration for relevant timelines. There should be empathy for government that they have been given the mandate to change the largely symbolic current private ownership structure of the SARB to bring it into state-ownership. It is also conceivable that the change could be achieved while securing the necessary independence for the SARB to execute monetary policy and other crucial financial sector mandates without fear or favour.

Business should also take note that it would serve the new government best to ensure a business-friendly policy environment if it received the necessary cooperation to formulate how this could be done and have it achieved well enough in advance of the ANC's mid-2020 National General Council to avoid government and the President drawing fire from radical elements in the ANC.

TIMELINE OF MAJOR EVENTS

- 13 May:**
Special ANC National Executive Committee (NEC) meeting, Pretoria
- 22 May:**
Chief Justice Mogoeng Mogoeng will preside over the election of the President in Parliament
- 25 May:**
Inauguration of the President at Loftus Versfeld Stadium, Pretoria
- 27 May:**
Announcement of Ministers and restructured Government
- 20 June:**
State of the Nation Address



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