



Weekly Political and Economic Review - 06 April 2023

Policy/Legislative Updates

Withdrawal of the Exemption for Eskom

- On 5 April, the Minister of Finance Enoch Godongwana announced the withdrawal of the gazette that granted Eskom exemption from disclosing irregular, wasteful and fruitless expenditure;
- According to Godongwana, his department had an intensive discussion with the Auditor-General (AG) and in that discussion there were some contributions from the AG that need to be part of the framing of the gazette;
- Therefore, Godongwana said that "In the light of those comments and comments from the public, we have decided to withdraw the gazette for now and have more detailed discussions with the AG and Eskom's auditors so that the framing is proper and the checks and balances are tightened";
- The notice was withdrawn, as declared in parliament, due to public outrage, with critics claiming that the exemption would assist to mask the corruption that has become prevalent in Eskom;
- Members of five parliamentary committees who met with Godongwana, and a Treasury delegation unanimously condemned the exemption, saying it undermined transparency and accountability and would serve to conceal Eskom fraud and corruption;
- Members of the committees applauded the withdrawal of the exemption, which they claimed had harmed the Treasury's reputation and trustworthiness;
- Some Committee members interpreted it as an attempt to misrepresent Eskom's genuine financial status to its lenders, who they believed would not be duped. Tsakani Maluleke, the AG, also welcomed the withdrawal;
- Earlier, Western Cape Premier Alan Winde said the gazette was troubling and would encourage more wrongdoing at Eskom;
- Winde said the decision was a major setback to meaningfully dealing with the energy crisis and fixing Eskom, adding it was a blow to transparency which was critically needed at Eskom.

Possible Implications

- Eskom will continue to be obligated by the Public Financial Management Act to reveal wasteful expenditure in its yearly reports, and its integrated report will be tabled in parliament by the public enterprises minister, so the public will still have access to its wasteful expenditure information.

Cannabis for Private Purposes Bill

- On 3 April, Parliament's Portfolio Committee on Justice and Correctional Services invited interested stakeholders to comment on the proposed amendments to the Cannabis for Private Purposes Bill;
- Following public submissions and subsequent deliberations last year, the Committee identified certain subjects that the introduced Bill does not address and, as a result, sought and received permission from the Assembly to extend the subject of the Bill under Rule 286(4)(b) of the National Assembly Rules;
- Based on public submissions on the new proposed clauses and its subsequent deliberations, the Committee believes that, because hemp and cannabis plants are of the same species, there is enough overlap in the subject matter to warrant due consideration of the possible interaction of hemp and cannabis within the purposive scope of the Bill;
- The proposed amendments seek to broaden the scope of the Bill to include provisions relating to the commercialisation of hemp, in addition;
 - Provide for commercial activities in respect of recreational cannabis;
 - Provide for the cultivation, possession and supply of cannabis plants and cannabis by organisations for religious and cultural purposes on behalf of their members; and
 - Respect the right to privacy of an adult person to use cannabis for palliation or medication;
- Comments should be submitted by 28 April 2023.

Possible Implications

- The proposed amendments broaden the scope of the bill allowing the bill in its current form to go beyond addressing the right to privacy and individuals' right to make, possess, cultivate and use cannabis to stimulate the commercialisation of cannabis and hemp for uses other than a recreational activity.

Economic Updates

SARB First Deposit Insurance Body

- On 3 April, the South African Reserve Bank (SARB) announced that it has established South Africa's first deposit insurance body – the Corporation for Deposit Insurance (CODI);
- The insurance body was established as part of the Twin Peaks regulatory reforms following the 2008/09 global financial crisis to protect bank depositors and boost trust in a resilient financial industry;
- Its creation contributes to the Reserve Bank's duty of safeguarding and enhancing financial stability by monitoring the financial environment and minimizing systemic risks that could destabilize the financial system;
- On 24 March, the CODI became a legal body. Its core tasks include establishing, maintaining, and administering a deposit insurance fund to protect the covered depositors of the banks;
- Additionally, it is also responsible for informing depositors of its benefits and limits in the event that a bank is placed into receivership;
- CODI is creating secondary legislation that specifies the depositor cover limit, which will be passed through a parliamentary process and published by National Treasury later in 2023;
- The legislation is required for CODI to become operational in 2024 and to provide depositors with the appropriate protection.

Possible Implications

- South Africans will benefit from this if the banks fail because they will be protected. Furthermore, it improves economic stability by decreasing the possibility of bank depositors withdrawing their funds at the same time.

Political Updates

Government Withdraws State of Disaster on Electricity

- On 5 April, the Minister of Cooperative Governance and Traditional Affairs (CoGTA) Thembu Nkandimeng announced that the state of disaster on electricity has been terminated with immediate effect;
- This comes after a legal challenge to stop the State of Disaster by the Organisation Undoing Tax Abuse (OUTA), which questioned its rationality;
- Following the declaration of the State of Disaster in February, government said it adopted wide-ranging regulations;
- According to Minister Nkandimeng, the state of disaster had already served its purpose;
- Nkandimeng said that under the state of disaster, government had adopted "wide-ranging regulations, which set out the responsibilities of the different organs of the state to mitigate the effect of severe load-shedding, prevent the escalation of electricity supply constraints and avert a national emergency";
- In addition, Nkandimeng, stated that "a significant enabler of the improvement in the supply of electricity has been the appointment of Dr Kgosiensho Ramokgopa as Minister of Electricity";
- Nkandimeng has since expressed her sincere appreciation for the constructive and collaborative way in which stakeholders in civil society have worked with government in a short time to achieve progress in keeping the lights on and enabling the economy and public services to function more productively.

Possible Implications

- The regulations were put in place to assist the Energy Action Plan and guarantee a "effective and integrated" response across all branches of government and allow government to get the necessary funds;
- Government will have to use existing legislation to continue addressing the electricity crisis.

DA Re-elects John Steenhuisen as Federal Leader

- On 2 April, John Steenhuisen was re-elected federal leader of the Democratic Alliance (DA) in a landslide victory at the party's national conference, receiving 83% of the vote;
- Steenhuisen was up against former Joburg mayor Mpho Phalatse, and the results had been signed off on without objection by both candidates as a "fair representation" of the vote total;
- Steenhuisen in his acceptance speech, presented the party's platform for the 2024 general elections, claiming that internal polling of registered voters revealed that there was no good reason to vote for the ANC any longer due to a slew of service delivery challenges, including load-shedding, violent crime, rampant corruption, and rising living costs;
- Steenhuisen, urged supporters to ensure the party gets a decisive victory in the 2024 elections;
- Furthermore, Steenhuisen declared the Economic Freedom Fighters (EFF) and its leader Julius Malema as enemy number one and stated that an EFF-ANC coalition must be avoided at all costs;
- The other elected officials are:
 - Federal Chair: Ivan Meyer
 - Deputy Federal Chairs: JP Smith, Solly Malatsi and Anton Bredell;
 - Chairperson of the Federal Council: Helen Zille
 - Deputy Chairs of the Federal Council: Ashor Sarupen, Annelie Lotriet and Thomas Walters;
 - Federal Finance Chair: Dion George.

Possible Implications

- The re-election of John Steenhuisen implies that he will lead the party into the 2024 general election campaign. He will have a difficult task of increasing the party's membership and presenting concrete plans for governance and service delivery rather than criticising the ANC and the EFF.

Kenya: Odinga Calls for Talks to Involve Parties Outside Parliament

- On 04 April, Kenyan opposition leader, Raila Odinga called for parties outside parliament to be involved in talks on electoral reform and the high cost of living – a call which is at odds with President William Ruto's plan for negotiations to be held only within parliament;
- This, after Odinga agreed to the talks proposed by Ruto after the president asked him to halt protests, over the rising cost of living and claims of fraud in last August's presidential elections;
- Odinga, who lost by a small margin to Ruto during last year's presidential election also warned of fresh protests if the government did not take the demands of the opposition seriously;
- The opposition has been protesting over the past two weeks during Mondays and Thursdays in a move aimed at pushing for reforms to the electoral commission, and to protest against the rising cost of living;
- The protests which galvanised thousands of demonstrators, have been marred by violence, with at least three people killed, 400 wounded and some businesses looted;
- Religious groups had urged the government and opposition to give dialogue a chance to prevent the country from descending into the kind of post-election violence that left more than 1200 people dead in 2007;
- Kenya's opposition has a history of calling major protests that have in the past led to deaths and crippled the economy.

Possible Implications

- A closer look at the developments in Kenya indicates that the opposition feels emboldened by the fact that the protests have galvanised thousands of demonstrators, and would thus go to any lengths to use the protests as leverage to get what it wants – in this case, talks similar to those that ended post-election violence in 2008, and ushered in a national unity government;
- However, it remains to be seen whether Ruto will accede to Odinga's demands given that he has strongly denied any suggestion of co-opting the opposition into his administration.

South Sudan: President Appoints New Defence Minister, Breaching Peace Deal

- On 30 March, South Sudan's President Salva Kiir appointed a member of his own party as defence minister, breaching a peace deal in which the person to occupy the position is meant to be selected by the party of First Vice President and opposition leader, Riek Machar;
- According to the decree read on state TV, Kiir replaced Teny with Chol Thon Balok, a loyal general and former governor of Upper Nile state;
- Defence Minister Angelina Teny, who is also Machar's wife, was fired alongside the interior minister this month, reigniting longstanding disagreements over how the two war veterans share power;
- In 2018, Kiir and Machar's forces signed a peace agreement ending five years of civil war that killed 400,000 people and triggered Africa's biggest refugee crisis since the 1994 Rwandan genocide;
- Puok Both Baluang, Machar's spokesperson said, "the appointment of Chol Thon as a minister of defence is unilateral and a new blatant violation of the peace agreement", and called for Teny's reinstatement;
- Meanwhile, a meeting aimed at resolving the rift between Kiir and Machar on 10 March ended in a deadlock.

Possible Implications

- The impasse is likely to cause paralysis in the implementation of the peace deal, which is meant to culminate in a national election at the end of 2024;
- Accordingly, a closer look at the impasse indicates that Kiir wants to have all the powerful institutions in order to consolidate power between now and towards the elections;
- Meanwhile, the African Union (AU) cannot afford to be caught napping in this regard, but need to take the next steps necessary to renew their support for implementation of the peace agreement for South Sudan;
- Thus, as guarantors to the peace agreement, the AU, Intergovernmental Authority on Development (IGAD), and regional and international development partners should continuously use all the tools at their disposal to push for and support timely implementation.

Senegal: Growing Calls for President to Forgo Third Term

- On 03 April, Senegalese President Macky Sall was advised not to seek a third term and to continue setting an example of a working democracy for the rest of Africa;
- Non-governmental organisations (NGOs) and a former World Bank Vice President gave Sall this advice as Senegal celebrated the 63rd anniversary of its independence;
- Former World Bank Vice President, Dr. Obiageli Ezekwesili said, "I would like to urge all Senegalese leaders to build and consolidate on your democratic credentials and ensure that it remains a worthy model in Africa from which sister African countries can draw inspiration as we journey towards a common ideal";
- In Senegal, there are fears that Sall might be interested in a third term despite not openly saying so;
- This comes after an interview with a French magazine L'Express last month, in which Sall said his first term was not part of the scope when the law reducing a presidential term came into effect when he was five years into his first term, which ended in 2019;
- As such, he claimed that standing for a third term was "a political debate" in which "I have not yet given my answer. When the time comes, I will make my position known, first to my supporters, then to the Senegalese people";
- Senegal is set to hold Presidential elections on 25 February 2024.

Possible Implications

- Senegal is considered a beacon of democracy and stability in Africa and should Sall decide to run for third term, this would dent Senegal's democratic record;
- Third terms were not received well in Guinea, where Alpha Conde was later removed through a coup as well as in Ivory Coast where Alassane Ouattara got a third term in an election marred by a huge boycott;

- Meanwhile, the African Union (AU) should speedily work towards developing guidelines to prevent constitutional abuses;
- This can be achieved by formalising the power of the AU to suspend countries and sanction incumbents engaging in constitutional coups.

Ethiopia: Tigray's Interim Government Appointed a 27-Member Cabinet

- On 04 April, the newly established interim administration in Ethiopia's war-ravaged Tigray region has appointed a 27-member cabinet to steer a political transition in the area, according to local media report;
- It comes after the federal government and the Tigray People's Liberation Front (TPLF) signed a peace accord to end a brutal war in the region;
- According to the report, new Tigray President Getachew Reda will be flanked by two Vice Presidents – Gen Tsadkan Gebretensae and Gen Tadesse Werede, military commanders who fought the Ethiopian army in the recent war;
- Gen Tsadkan will have responsibility over decentralisation and democratisation, while Gen Tadesse will be the head of the peace and security secretariat;
- The new cabinet is dominated by the TPLF, but includes two members of Baytona, an opposition party allied with the TPLF;
- On 23 March, Prime Minister Abiy Ahmed appointed Mr Getachew, the TPLF spokesman, as the interim leader of Tigray;
- He takes over from Debretsion Gebremichael, who has stepped down after about five years in office;
- Under his tenure, sharp differences emerged between the regional and federal governments, triggering a war that claimed the lives of hundreds of thousands of people.

Possible Implications

- The appointment of cabinet in Tigray will go a long way in the restoration of essential services, and to fast-track humanitarian relief to victims of the conflict;
- The appointment of cabinet is highly important as its success or failure determines the bringing of lasting peace and the nature of Tigray's relationship with Ethiopia;
- Meanwhile, the new administration need to ensure inclusivity, build confidence, and offer the opportunity to bring major parties and stakeholders together.