

Faction fights on three fronts

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Last week's conflagration on the SA Reserve Bank's mandate threw into sharp relief the faction fights in the ANC. Currently they are being fought on three fronts: the SA Reserve Bank; land expropriation without compensation; and the Public Protector's actions.

Front 1 – the SA Reserve Bank

There are two dimensions to this: the ownership of the Bank and its mandate.

Ownership of the Bank

The ownership issue is straight forward. The SARB is one of the few central banks in the world with private shareholders. It currently has 2 000 000 issued shares with 750 shareholders. No shareholder can hold more than 10 000 shares (0,5%). The dividend is pegged at 10c per share, i.e. R1 000 per annum. (Disclosure: I own 200 shares. Last month I received a dividend of R8.) The surplus after dividends and tax is paid over to Government. Government appoints the majority of directors as well as the governor and deputy governors. Shareholders have no say in setting interest rates. The shareholding really does not count for much. The Bank's independence is certainly not determined by it. Independence is set out in the constitution. Nevertheless the ANC has resolved that the Bank should be in public ownership.

Thabo Mbeki had the pithiest comment on this issue when he said the debate about ownership of the Bank is irrelevant as Government sets the policy anyway.

Mandate of the Bank

That policy is to pursue an inflation target of between 3% and 6%. This is in line with the Reserve Bank's Constitutional mandate to "achieve and maintain price stability in the interest of balanced and sustainable economic growth in South Africa."

The elements of this mandate are clear: inflation (price stability) and growth (balanced & sustainable). Although the word "employment" does not appear, it is inherent in the goal of sustainable growth. It is also a concern for the Bank in pursuing the inflation target. As Governor Kganyago put it: "Like other central banks, we already include concern about growth and employment (...). Over time, keeping inflation expectations low and well-anchored is the clearest and most effective way of helping the economy to achieve full employment. ... For South Africa, the economy grows more strongly when inflation is low." (Public lecture at Stellenbosch on 6 March 2019).

Political strategy gone wrong

The Magashule/Zuma faction wants to argue (as Zuma indeed did in a tweet last week right in the middle of the Reserve Bank fracas) that the change of the mandate is an ANC resolution. The implication is that if that resolution is not implemented, the ANC can recall the government for failing to do so.

That strategy has not worked. In fact, it backfired.

Forty-eight hours after Magashule's change-the-mandate statement, the Top 6 of the ANC, including Magashule, issued a statement affirming that the mandate of the Bank is as set out in the Constitution and "this policy has not changed". It confirmed the role of the Minister of Finance and reflected almost word for word what Finance Minister Tito Mboweni had said on social media a day earlier. It was not just a clear endorsement of current policy, but also of minister Mboweni, putting him in pole position.

The Top 6 statement also dealt with the ownership issue, saying: "It is our desire for the SARB to be publicly owned. However, we recognise that it will come at a cost, which given our current economic and fiscal situation, is simply not prudent."

The statement was a clear and unambiguous repudiation of Ace Magashule. It also binds all ANC members. What Ace Magashule likes to call "the collective" has spoken and he himself is now bound by it. It would be difficult for him to break ranks, as he can then be disciplined for bringing the party into disrepute. No wonder he quickly

disowned a tweet that contradicted the Top 6 statement and removed it from his twitter account. In fact, he went further. He tweeted the Top 6 statement and said, “All ANC members ... are to adhere to this line of march.” Case closed on the mandate; case postponed on ownership.

The fight on this front will flare up again, but this battle went decisively in Ramaphosa’s favour. It seems as if the currency market agrees. The rand broke through R15 to the dollar, but at the time of writing was below R14,70.

Front 2 – land expropriation without compensation

The president promised in his post-election speech that Parliament will deal with this. However, it is noticeable that the issue has lost a lot of heat over the last year, despite the election and all the emotions campaigns can generate.

Thoko Didiza is the new minister of land and agriculture. She occupied a similar post in the Mbeki cabinet and comes to the post highly regarded. A more efficient process around land reform will help enormously to settle the turbulence.

Our base case remains that the Constitution will probably be changed in line with the detail set out in the Expropriation Bill, published in December. This bill provides for five instances where land can be expropriated without compensation: abandoned land/buildings; land belonging to the state and SOEs; land in which the state invested more than the value; land held purely for speculative purposes; and land to which labour tenants have a right.

Front 3 – the Public Protector’s crusade

The Public Protector is currently investigating charges against Pravin Gordhan which were laid by the EFF and charges against the president laid by the DA on the R500 000 his son/campaign received from BOSASA.

She can of course innocently claim that she is merely following through on charges brought by the two political parties, but her past behaviour belies such “innocence”.

She herself is under attack. Apart from the DA, both the Communist Party and Business Unity SA (strange bedfellows!) have called for her dismissal. She is now in year three of her seven-year term. It remains to be seen whether she will finish the term.

So What?

- The faction fights in the ANC will continue, but last week’s outcome on the Reserve Bank was a clear win for the Ramaphosa camp.
- The president stamped his authority on the party via the Top 6. The “line of march” that all ANC members must adhere to is clear.
- This follows a successful election and the cleaning out of well-known Zuma acolytes from cabinet. Some observers count only five Zumaites amongst the 28 cabinet members.
- The president was elected at Nasrec with a margin of 52/48 some 18 months ago; looking at all the developments since then, he is now undoubtedly much stronger than that.
- The Reserve Bank incident confirmed the president’s approach: follow process and let it run to its conclusion. This frustrates those who want to see quicker action, but it makes for decisive outcomes (remember Tom Moyane, Shaun Abrahams, Malusi Gigaba, Nomvula Mokonyane to name only a few... they all went after a process).
- Expect more of the same approach as he navigates the Public Protector’s report and the land issue.