

## Stalemate, slipping, but no knockout... yet

### 9 November 2016

I am almost too scared to write this political commentary, because things are moving so fast!

Just reflect on all the developments since summons was served on Mr Gordhan on 11 October to appear in court on 2 November, and what things actually looked like by 2 November! The galvanising effect of the summons; the outpouring of support for Mr Gordhan from right across the political and civil society spectrum; the humiliating climb-down the NPA was forced into.

Then on 2 November, ironically the day Mr Gordhan was supposed to appear in court, the State Capture report was released by High Court order. General pandemonium followed.

The report found nobody guilty of anything (no findings were made, only “observations”), but laid bare some pretty fundamental questions that need to be answered. Criticism of the report was largely about procedural issues (“not enough time/opportunity to respond”) and did not help to clarify the substantive issues raised.

The report poured fire on the on-going battle for the soul of the ANC. Let’s survey how the forces are lined up.

#### Balance of forces

##### On the one side....

... are half of the ANC’s Top 6 (Zuma, Mbete and Duarte); the ‘Premier league’ provinces (Free State, North West, Mpumalanga); the Women’s, Youth and Veterans’ Leagues and a substantial part of cabinet. They all combine to give Mr Zuma a majority in the ANC’s NEC (National Executive Council). As long as he has the NEC on his side, he is politically safe.

This political grouping is supported in the **civil service** by the Hawks; sections of the NPA; part of SARS and probably the Intelligence Services. In **civil society** some of the Cosatu unions and part of Cosatu’s leadership support this group; as do patronage networks, particularly in some SOEs; and parts of organised Black business. In the **media sector** the Gupta outlets (The New Age and ANN7) have put themselves firmly in this camp and are leading a relentless campaign against the State Capture Report.

##### On the other side....

... are the other half of the Top 6 (Ramaphosa, Mantashe and Mkhize); the ANC in Parliament (but not the majority), Luthuli House and Gauteng province; some cabinet members; the SACP and lately also ANC stalwarts. In the **civil service** there are Treasury and institutions like the Auditor-General and parts of SARS. In **civil society** there are most of the Cosatu Unions (with the largest one, NEHAWU, now openly calling for Mr Zuma’s departure); most churches; most of SA business; opposition parties; and the media who play a persistent role in flagging shenanigans.

Playing a key role in the balance of power between these groups are what one can call “**open society forces**”: the voters whose judgement in the 3 August local government elections is still reverberating; the financial markets’ disapproval of political contestation; the Constitution and Chapter 9 institutions; and the Courts who are clearly not afraid to uphold the Constitution’s values.

## Stalemate

We are witnessing a protracted battle between these groups. It is most noticeable in the constant attacks on Treasury. These attacks also indicate that the two groups are basically in a stalemate. Neither side has landed a knockout blow, yet. Certainly, more and more people are moving away from Mr Zuma, and this may very well break the stalemate, but at the time of writing that has not happened.

## Treasury survived ... and is getting stronger

The attacks on Treasury over the past year have been successfully thwarted, showing up the Zuma camp's intentions, but also the limits to its power.

Nene was fired, but so was Des van Rooyen 4 days later; three attempts to force Pravin Gordhan out under pseudo-legal cover have failed miserably (first in Feb/March, then in August and again in Oct/Nov). The one person speculated to replace Gordhan, Brian Molefe, has been undermined by the State Capture report. When the secretary-general of the ANC calls the Eskom/Tegeta transaction "corrupt", Molefe is not going to be a cabinet minister any time soon.

It is unlikely that further attacks on the Treasury, which will certainly happen, would be any more successful than the several attempts of the last year. The forces opposing the attacks and protecting Treasury are not weaker than in December last year or earlier this year. If anything, they are stronger.

In the meantime Treasury is simply carrying on, as the "mini-budget" in October proved. It was in vintage Treasury style and showed that Treasury has the ability to do what it has to do.

The rating agencies can downgrade SA on poor growth prospects, but certainly not on fiscal metrics; neither can they downgrade SA on the integrity of institutions – not after what we saw this November.

Public support for Treasury is growing, ironically giving them cover to do some normally unpopular things like cutting expenditure and promising to increase taxes. One of those unintended consequences of politics....

## Public procurement

It is clear that a lot of the current political fight originates around state procurement. The new institution of the Chief Procurement Officer (*discussed in the Sept Newsletter*) is being strengthened and it will also tackle public procurement by the SOEs. Clearly Mr Gordhan is on the warpath. Naturally those who feel threatened that their cash flow will disappear, are already pushing back very hard.

Severe fights are also waiting for Treasury around the new Procurement Bill, which *inter alia* formalises the position of the Chief Procurement Officer, promised by Mr Gordhan for April next year, but I have full confidence in Treasury's ability to handle it. In the end it is about sec 217 of the Constitution and it will have to be adhered to.

## Will she, will she not....

The key question is how the ANC will react to the State Capture report. It is really all about the NEC, where we know Mr Zuma stands strong; but where we also see indications that his support is eroding. So which way will the NEC go?

It is noticeable that the ANC in North West province, part of the "Premier league", declared themselves in favour of Madonsela's recommendation of a commission of inquiry to investigate state capture further.

In all likelihood Mr Zuma and/or some of his colleagues (think Zwane and Van Rooyen) will take the report on review to the High Court. This is a process that will take a couple of months and will prolong the current stench hanging in our politics, which in turn is piling more pressure on the ANC. How long can the ANC live with it, given that the voters are clearly not enamoured with what is going on? The slower they are to react, the more they are gifting the opposition parties.

## Mr Zuma's options

Mr Zuma can either take the report on review or appoint the Commission of Enquiry and give it a wide scope to try and string it out as long as possible. The scope can include the whole narrative of “state capture by white monopoly capital” and not just the unfinished work on the SOEs that Madonsela recommended. We will know by 3 December what he has chosen to do.

As I am finishing this, the news is that Parliament will debate a no-confidence motion on Thursday the 10<sup>th</sup>. This indicates that the ANC in Parliament will defend Mr Zuma. This is a small skirmish in the bigger battle and will certainly not be the last word on the matter.

## So What?

- The different forces in the ANC are in very real contestation; so far they are evenly balanced and a stalemate exists.
- It is, however, becoming easier for party members to criticise the President without much apparent retribution – very telling and an indication that power is slipping away from him.
- The main focus of factional attacks so far has been the Treasury, but those attacks have been thoroughly defeated over the last year, in no small measure thanks to open society forces.
- As a result Treasury is standing much stronger than a year ago and it continues its work; ironically enjoying popular support it did not have and would not have under “normal” politics.
- We will know by the beginning of December what Mr Zuma's choice of action is.