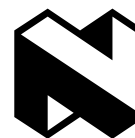


Political research note

An independent analyst's view



NEDBANK
PRIVATE WEALTH

This political research note was prepared by JP Landman in his personal capacity. Landman is an independent political and economic analyst, and the opinions expressed in this article are his own and do not reflect the views of Nedbank Group.

21 June 2024

Elections – a historic shift to the middle

First, some things that did not happen during this election season are as important as those that did.

What did not happen?

- We did not see the violence and disruption that so many people predicted. It could still happen of course. We heard on Saturday that extra police units have been deployed to KwaZulu-Natal (KZN). So far, however, we have seen much less than the general expectation. This year, to date, 11 people have been killed in political assassinations in South Africa, mainly in KZN. It is 11 too many, and we're only half-year, but still a marked decline from the 30 political murders in 2023 and the 41 in 2022.
- There was no disruption on election day, nor after the results were announced. There were threats and demands but nothing happened. Most people in the country, including the Zulu King, expressed the view that the elections were free and fair despite the acknowledged glitches. MK cried foul, but they did not produce any evidence. The Constitutional Court duly sent them away empty-handed when they tried to interdict the first sitting of the new Parliament.
- The ANC did not cling to power and refuse to accept the result. The importance of this fact cannot be overemphasised. It was a seminal moment. For 30 years people have said the real test for our democracy would be when the ANC lost power. Well, it did lose power and almost seamlessly moved to a new dispensation within 2 weeks.
- It was widely predicted that Cyril Ramaphosa would be kicked out as ANC leader if the party's support plunged to 40%. That did not happen. He has been duly re-elected.
- Load-shedding did not resume the day after the election. It probably will return to some degree, but let's give credit where it is due. We have had 80 days without load-shedding, and excessive amounts of diesel were not burnt. On the contrary.
- The polls were not wrong. No one got the final numbers absolutely correct, but the big moves and shifts were clearly predicted. Likewise, most of the post-election projections of the final results were very accurate. As citizens we can be proud that we have developed the capacity in the country to run world-class polls and post-election projections.

Make of these what you will, but for me, these non-happenings illustrate 2 things: there is more moderation in the country than extremism, and more capacity than we sometimes allow for.

Where we are now

More than a year ago, in May 2023, I wrote a note arguing for a 'grand coalition' between the ANC and the DA. I framed it as a coalition of parties of the democratic centre who can agree on basic values and an approach to government.

In August 2023, I wrote a follow-up note pointing out the developments in our body politic that seemed to be pushing us closer to a coalition. Well, we are there now. The election has brought us firmly to coalition territory.

Coalition territory

The ANC finessed this one, in my opinion, quite cleverly. The party achieved 2 things by introducing the idea of a government of national unity rather than a coalition. Firstly, they shifted the attention away from a binary choice

between the EFF/MK and the DA. Secondly, by emphasising common values – particularly the constitution and the rule of law – the process isolated the EFF and MK. This happened even in KZN, where the MK party got 45% of the votes.

The EFF and MK now stand on the outside, while there is a pretty tight coalition agreement between the ANC, DA, IFP and some smaller parties.

Thank the electoral system

Our founding fathers and mothers bequeathed us a proportional electoral system in 1994. For the first 30 years, the ANC got more than 50% of the votes in national elections. This is unusual in a proportional or party list system, and it is unlikely that we will soon see that again.

We surveyed countries around the world with proportional or party list systems. We identified 87 such countries. Two-thirds of them, 55 out of 87, have coalition governments. Only in a third of these countries could a single party garner a majority of 50% plus 1.

The reason is simple. In a proportional system, each vote counts exactly the same. Whether you vote in Mpumalanga or the Northern Cape, in a city or a deep rural area, your vote counts exactly the same. All those dispersed votes are added together, enabling a dispersed group of like-minded people to get a representative into parliament. It makes for a more representative parliament, one that cannot be easily dominated by a single big party.

This is very different from a constituency-based system, where members are elected by the majority in every constituency. That can easily lead to a situation where a minority of votes translate into a majority in parliament. In 1948, the National Party in South Africa got a minority of votes, but a majority of parliamentary seats. That paved the way for more apartheid legislation. This also happened in the UK in 2019, when the Tories got about 45% of the votes, but 55% of the members of parliament. The majority then pushed Brexit through.

South Africa in 2024 is firmly in coalition territory thanks to the voters and our proportional system. Be careful to tinker with it.

Can a national coalition be different from local government ones?

South Africa has had terrible experiences with coalitions at local government. How then will this national coalition be different?

What we've learned at the local government level is that one cannot have a successful coalition if the focus is on the **who** and not on the **how**. Who gets the job, who is the mayor, who is the speaker ... rather than how are we going to do the job? **Who** rather than **how** did not work well for us in local government.

The **who** versus **how** paradigm was broken in KZN more than a year ago when the DA and IFP signed a coalition agreement on **how** they will run the 13 municipalities in KZN where they are in the majority. They stipulated their common values, set out what they wanted to achieve during their term of office, and outlined some practical steps on how they would do it.

That is precisely the approach in the 9-page agreement the ANC and DA signed on Friday, 14 June. The parties agreed on 10 foundational principles and a minimum work programme with 9 priorities (these are below this note as an addendum). The new cabinet will have a joint strategy session to develop a policy agenda based on these values and priorities. Provision is made for resolving differences and handling disputes. It is the president's prerogative to appoint the cabinet, but he will consult with party leaders and consider the number of seats that parties have in parliament.

This systematic approach, focusing on **how**, is very different from the haphazard **who** approach that characterised coalitions at many local governments.

More agreement than disagreement

Many people in both political parties and the commentariat have talked about what they see as major ideological differences between the ANC and DA. In my view, they have more in common than they disagree about. The 10 foundational principles and 9 priorities they agreed on prove that abundantly. The differences are more in style

and rhetoric than in substance, caused more by different backgrounds and living experiences than different world views.

In fact, the policy differences between the ANC, MK and EFF are bigger than those between the ANC and DA. MK wants to abolish the supremacy of the constitution and return to the old SA arrangement, where parliament is the supreme authority in the country. The ANC believes in the Constitution as the supreme authority (as does the DA). The DA and MK are miles apart.

The EFF believes that all land should belong to the state; the ANC favours a mixed-ownership model where individual citizens directly hold land in their own name. Both the MK and EFF want to nationalise whole industries and put them under state control. The ANC is bringing the private sector into key industries where the state traditionally had a monopoly (energy, railways, ports, water). On all these issues, the ANC are much closer to the DA than to MK or EFF.

What about the DA's perceived opposition to transformation? The 10 foundational principles agreed on specifically refer to 'social justice, redress and equity', 'the progressive realisation of socio-economic rights', 'the alleviation of poverty' and other transformational principles. On those principles, the DA cannot stand against the ongoing transformation of society.

It is quite clear that the 2 main parties in the middle, the ANC and DA, are not that far apart, while both of them are very far from MK and EFF. Some call the EFF and MK 'far left'. Truth be told, they are not so much left, but rather fascist parties of the far right, but be that categorisation as it may. The point is they are both far away from the middle.

Much is currently being made of a national dialogue to discuss appropriate responses to the nation's critical challenges. That may enhance the areas of agreement, ringfence the areas of disagreement and strengthen the middle further. It is a space to watch over the next year.

Most South Africans have the same aspirations and needs. Hopefully, some of our political style and rhetoric will now adjust to this we-have-more-in-common reality.

What now ...

... on appointments

The president was elected on Friday, 14 June. He was sworn in on Wednesday, 19 June at the Union Buildings in Tshwane. He will then appoint a cabinet of ministers from the parties to the coalition. There is no deadline, and he can take his time. Once appointed, ministers will take charge of their portfolios and execute agreed coalition policies. Should, for example, a DA member be appointed minister of labour, they would apply coalition policy on labour matters, not DA policy. A lot of negotiation and give-and-take will have to take place.

... on the economy

On economic policy the position is quite clear. Vulindlela, an initiative started by the presidency and National Treasury back when Tito Mboweni was still Minister of Finance, has scored some significant wins in the last few years. After a 10-year delay and numerous court challenges, spectrum release was done.

Electricity reform is another big example. Recently, some visa reforms were announced. Vulindlela played a key role in opening up railways and ports to private sector investment and operations. The president has already, in his regular letter after the election, committed the 7th administration to the continued implementation of the Vulindlela programme, which is supported by the DA. That will be the main platform of action for this coalition government. For that reason, I will focus my work for the rest of 2024 on progress with Vulindlela projects.

Here I want to draw your attention to a research note published the week after the election by the Bureau for Economic Research at Stellenbosch (BER), which was approvingly quoted by the president. The researchers addressed how South Africa can move from a 1.5% growth economy to a 3.5% economy. BER concluded that we don't need new initiatives or new policies – just implementation of the Vulindlela projects. At 1.5%, the economy is growing slower than the population – ie we are getting poorer. At 3.5%, we will grow the economy at almost twice the speed of the population. That is what happened in the first 20 years of democracy.

... on the budget

It's also clear that the 2 main parties agree on fiscal policy. Current prudent fiscal policy will continue. It is easy to measure that. In the last financial year, SA recorded a primary surplus for the first time in 15 years. This simply means that income was more than expenditure, excluding interest. The minister has pencilled in a primary surplus of more than R60 billion for the current year ending in March 2025. I doubt he will deviate from that target. A primary surplus is critical to bring debt under control. The DA has also committed itself to a debt-to-GDP ratio of 67%, lower than the current 74%.

... on disagreements

There are of course issues on which the 2 parties disagree, like the National Health Insurance Bill. This has now been signed into law, but there's no money bill yet to fund it. That is where real negotiations will take place. The coalition agreement contains modalities for resolving differences.

Coalition doesn't mean – and cannot mean – that people agree on everything. It also cannot mean that one party's view will triumph over the others. Compromises will have to be worked out. It will be a learning curve for everybody.

... on local governments

Many of the most serious service and governance crises are at the local government level ... potholes, water, electricity, and clinics. Local government elections are scheduled for 2026 – about 2 and a half years away. Parties will definitely not leave local government issues till then.

Already the disastrous mayor of Durban has been recalled by the ANC. The ANC mayor of Ekurhuleni also dismissed the EFF mayoral committee member for finance. More will follow in the coming days as we see a drastic reconfiguration of coalitions in local governments.

On Friday afternoon, Panyaza Lesufi, re-elected premier of Gauteng with DA support, confessed that 'We were forced to accept the coalition arrangement'. (Lesufi would have preferred to go with the EFF.) Clearly, the whip of 'democratic centralism' was cracked, and he and his Gauteng colleagues had to fall into line. Expect more 'democratic centralism' over the coming weeks.

So what?

- The acceptance of the results and peaceful transfer of power, all in 2 weeks, is something to be proud of. We may take it for granted, but there are many places where it does not happen, like the US in 2020.
- On matters of economics, this coalition is very good news for the country. It reinforces a strong middle for rational economic policies.
- At the same time, transformation will be ongoing and will not be terminated by the coalition. Growth and more inclusion will go hand in hand.
- The election result and coalition are moving our politics towards the middle. The Radical Economic Transformation (RET) faction will find themselves to the left (or far right, depending on your lens), the libertarians will be on the right, and a sensible middle will raise the flag for what one can call social-democratic policies. It is the biggest political realignment since 1994.
- This move to the middle will also play out at local government coalitions.

JP Landman
Political Analyst

Nedbank Private Wealth includes the following entities:
Nedbank Ltd Reg No 1951/000009/06 (NCRCP16) (FSP9363)
Nedgroup Private Wealth (Pty) Ltd Reg No 1997/009637/01 (FSP828)
Nedgroup Private Wealth Stockbrokers (Pty) Ltd Reg No 1996/015589/07 (NCRCP59) (FSP50399), a member of the JSE.

Addendum

The ten foundational principles

8. All parties to the GNU commit to uphold the following **fundamental principles**:

8.1 Respect for the Constitution, the Bill of Rights in its entirety, a united South Africa and the rule of law.

8.2 Non-racialism and non-sexism.

8.3 Social justice, redress and equity, and the alleviation of poverty.

8.4 Human dignity and the progressive realisation of socioeconomic rights.

8.5 Nation-building, social cohesion and unity in diversity.

8.6 Peace, stability and safe communities, especially for women and children.

8.7 Accountability, transparency and community participation in government.

8.8 Evidence-based policy and decision-making.

8.9 A professional, merit-based, non-partisan, developmental public service that puts people first.

8.10 Integrity, good governance and accountable leadership.

The nine priorities

As Parties to this GNU, we agree that the 7th administration should focus on the following priorities:

11.1 Rapid, inclusive and sustainable economic growth, the promotion of fixed capital investment and industrialization, job creation, transformation, livelihood support, land reform, infrastructure development, structural reforms and transformational change, fiscal sustainability, and the sustainable use of our national resources and endowments. Macro-economic management must support national development goals in a sustainable manner.

11.2 Creating a more just society by tackling poverty, spatial inequalities, food security and the high cost of living, providing a social safety net, improving access to and the quality of basic services, and protecting workers' rights.

11.3 Stabilising local government, effective cooperative governance, the assignment of appropriate responsibilities to different spheres of government and review of the role of traditional leadership in the governance framework.

11.4 Investing in people through education, skills development and affordable quality health care.

11.5 Building state capacity and creating a professional, merit based, corruption-free and developmental public service. Restructuring and improving state-owned entities to meet national development goals.

11.6 Strengthening law enforcement agencies to address crime, corruption and gender-based violence, as well as strengthening national security capabilities.

11.7 Strengthening the effectiveness of Parliament in respect of its legislative and oversight functions.

11.8 Strengthening social cohesion, nation-building and democratic participation, and undertaking common programmes against racism, sexism, tribalism and other forms of intolerance.

11.9 Foreign policy based on human rights, constitutionalism, the national interest, solidarity, peaceful resolution of conflicts, to achieve the African Agenda 2063, South-South, North-South and African cooperation, multilateralism and a just, peaceful and equitable world.