

# BTI 2012 | South Africa Country Report

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scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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### Key Indicators

|                          |        |      |                                |       |                      |    |       |
|--------------------------|--------|------|--------------------------------|-------|----------------------|----|-------|
| Population               | mn.    | 50.0 | HDI                            | 0.619 | GDP p.c.             | \$ | 10570 |
| Pop. growth <sup>1</sup> | % p.a. | 1.4  | HDI rank of 187                | 123   | Gini Index           |    | 57.8  |
| Life expectancy          | years  | 52   | UN Education Index             | 0.705 | Poverty <sup>3</sup> | %  | 35.7  |
| Urban population         | %      | 61.7 | Gender inequality <sup>2</sup> | 0.490 | Aid per capita       | \$ | 21.8  |

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

The period under review covers almost the first two years of President Zuma's term in office as the president of South Africa. The African National Congress (ANC) won the nation's fourth democratic elections in April 2009 with an overwhelming majority. The party gained 65.9% of the total vote and missed by only one seat the two-thirds majority of parliamentary seats, which would have allowed it to change the constitution. The Democratic Alliance (DA) became the strongest opposition party with 16.6% of the vote, gaining over 4% more votes than in the last election. Most important was the victory of the DA in the Western Cape Province, the only province not governed by the ANC. It remains to be seen whether the DA will transform the province into a "show case" for South Africa and the opposition. The new Congress for the People party (COPE) established by ANC dissidents received 7.4%, much less than expected, given the presence of a number of prominent former ANC stalwarts. Its poor performance is set to continue, given the paralyzing infighting among the party's leadership. The Inkatha Freedom Party (IFP) lost votes again and continued to be plagued by leadership squabbles that spoil its prospects of ever regaining past levels of support. Despite some electoral success the South African opposition remains fragmented and the ANC continues to dominate. With the exception of the DA victory in the Western Cape, the period under review saw no major political changes. Therefore, the ratings for democratic development in South Africa in the period under review improved slightly.

Zuma successfully mediated between the different ANC wings and held the party together following the post-2007 power struggles between the Mbeki and Zuma camps. He successfully contained the populist tendencies of the ANC Youth League, and while his government had to give in to excessive wage hikes in the wake of a debilitating public service strike in 2010, he generally managed to strike a positive balance in terms of the party and its alliance partners, the Congress of South African Trade Unions (CSATU) and the South African Communist Party (SACP). During the first quarter of 2011, rumors circulated that another leadership contest

within the ANC may be emerging with current housing minister and billionaire Tokyo Sexwale, named as the challenger. Should this be the case, the country might have to prepare itself once more for a debilitating leadership battle in the run-up to its 2012 National Conference in Bloemfontein. In 2011 it will celebrate its 99-year anniversary with self-confidence.

In November 2010 the president announced a major cabinet reshuffle. Seven cabinet ministers were replaced and 12 new deputy ministers were appointed. Zuma managed to accommodate both the left wing of his party and the more conservative right wing in the new cabinet. Zuma made reforms in education by splitting the education ministry into a ministry for basic education and a ministry for higher education and training, and also indicated that he would prioritize basic service delivery during his presidency. The realization of these plans would end perceptions of indecision and stagnation, which had been prevalent during the first year of the administration.

After his inauguration Zuma was immediately confronted with large scale strikes in the public sector and the impact of the world financial crisis. The country was negatively affected by the crisis, but after years of relatively high growth rates it had a lower GDP decrease at 1.8% than most of its trading partners and peers. The country lost approximately 1 million jobs as a result of the crisis, but the economy recovered quickly and currently a growth rate of about 3% is possible. With high unemployment (just under 25% officially and around 35% unofficially) the country would need a sustained growth rate of about 7% until 2020 to make marked inroads into its major developmental challenges of unemployment, poverty and inequality. The government has already adopted a new strategic development plan. In 2009 the New Growth Path (NGP) was introduced. The NGP aims to identify key sectors in the South African economy where the country may be able to develop a competitive advantage over other economies, and to prioritize state support and interventions that would allow these sectors to prosper. The extent to which these sectors would be able to absorb labor has been a very important consideration in the selection process.

With respect to massive service delivery problems on a local government level nothing has really changed. No amount of reform will effect change at local government level if the ANC does not change the cadre deployment policy that makes local government so receptive to corruption. Cape Town, governed by the DA, is the best-run city in South Africa in terms of official audited statements and evaluations by the Municipal IQ data collection agency. The Western Cape is also the only province in the country that has been able to spend its full infrastructure allocation budget.

In 2010 the country hosted the FIFA World Cup. South Africa was the first African country to host the mega-event. The World Cup initiated large-scale public spending on infrastructure, in particular the road network and public transportation. It is still unclear whether the World Cup will lead to further investment. There is also a heated debate in South Africa about the benefits and costs, the winners and losers among the population. It remains to be seen whether the large-scale investments will bear fruit in the longer run.

Politically, the World Cup was a great success. Despite predictions of chaos and crime, the organization ran smoothly and no major incident took place. The country, and Africa at large, won international prestige and respect. It is very likely that tourism will increase. Although the South African soccer team was kicked out in the first round, the team and its performance had a unifying effect on the South African population at large.

## History and Characteristics of Transformation

Despite some setbacks during the previous period under review, South Africa is still one of the rare success stories on the African continent. The country has made huge progress on the path to democratic consolidation since 1994. The negotiated (“pacted”) transition to democracy began in 1990 and led – after a difficult period of immense violence and uncertainty about the future of the country – to the founding elections of 1994. The deeply divided and segregated society is the legacy of hundreds of years of discrimination and the apartheid period (from 1948 on). Major challenges in democratic consolidation include the establishment of representative and efficient political institutions, the economic reform of a country that had been weakened by sanctions and international isolation, and reconciliation between different racial groups. Most progress has been made in the establishment of democratic institutions anchored in one of the most progressive constitutions worldwide. The remaining task is to overcome the divisions of the past and to create or at least foster a new South African nation and find a common identity for all groups. The economically and socially disadvantaged black South African population demanded greater access to the South African economy and measures that will reverse the economic imbalances resulting from apartheid.

At the same time, the reintegration of the South African economy into the global economy and a shift in foreign relations, especially toward the African continent, were at stake. Its domestic reforms towards redistribution and the promotion of greater economic access to marginalized South Africans, therefore had to be occur within the prescriptions of fiscal discipline.

The government maintained a high level of electoral support despite public disillusionment about its inability to address major developmental backlogs instantly, and the resultant popular skepticism toward the democratic institutions responsible for reforms. The ANC won all four democratic elections with a comfortable majority of over 60% of the total vote, although voter participation declined. South Africa is a dominant party system. The ANC is regarded as the harbinger of freedom and democracy among the overwhelming majority of black South Africans. Although support for the ANC is still strong, protests against deficits in service delivery, which in some cases developed into public violence characterized by arson, intimidation and the destruction of public and private property have sporadically broken out.

Despite spontaneous outbursts of violence, surveys reveal strong support for democratic principles and values. According to the Institute for a Democratic South Africa (IDASA), one reason for the general satisfaction is that the majority of South Africans reported that their material conditions have improved, although research studies have found that levels of inequality have not declined substantially. South Africa continues to have high income inequality when measured in terms of its Gini coefficient. Despite all efforts by the government to mitigate income disparities, the Gini coefficient increased from 0.67 in 1994 to 0.68 in 2006 (Institute for Justice and Reconciliation: 2008 Transformation Audit: Risk and Opportunity, Cape Town). Although international sources see a decline in the GINI index, South African research leaves little doubt about an increase. It is noteworthy that according to all statistics the Gini coefficient within black population groups has sharply increased. This reflects the emergence of a black middle and upper class, who are, together with traditional white-owned businesses, the winners of economic reform policy. But the middle class is still small: In South Africa only 13 million are employed out of a potential labor market of about 31 million. Roughly 5 million South Africans earn enough to pay taxes. This is critical and illustrates how acute income inequality remains in South Africa.

Economic development after 1994 proceeded through different phases. After a period of relatively modest growth, the last five years have seen a flourishing economy with the highest growth rates in South Africa the last two decades. Poverty decreased slightly prior to 2007.

The first black government under President Mandela's leadership introduced the Reconstruction and Development Programme (RDP) in 1994. This comprehensive program focused on improvements in meeting basic needs, fostering human resources and establishing a social welfare system. Although the RDP mandated that civil society groups be included in implementing the program, this was short-lived, as the integration of civil society proved to be impracticable and general economic trends unfavorable for massive increases in social spending. The program was replaced by a new one: the Growth, Employment and Redistribution Program (GEAR). On the one hand, GEAR continued efforts to assist underprivileged non-white communities, but on the other hand emphasis was put on macroeconomic stabilization and privatization, import- and trade-liberalization programs. GEAR was very much in line with the more liberal policies of the Bretton Woods system during the 1990s and international business and donors reacted positively. But the domestic reaction to GEAR was different. The economic and fiscal policy of the Mbeki government led to heated political debates and became the main reason for an ongoing tension within the Tripartite Alliance. The alliance has its roots in the liberation struggle against the apartheid regime. It consists of the ANC in a centrist position, COSATU and the SACP on the left. Since 1994, the alliance has been characterized by growing infighting between a more market-oriented wing that strongly advocated for privatization and further liberalization, and a more socialist-oriented group – represented by COSATU and the SACP – promoting a major state role in the economy. Much of the political debate in South Africa was concerned with macroeconomics and social matters. Owing to government inertia

and the lack of efficiency of programs, however, the HIV/AIDS pandemic remained one of its biggest challenges. Thabo Mbeki was largely successful in pursuing his more conservative policy against massive political resistance that included large-scale strikes by the COSATU.

In 2006, the government launched the Accelerated and Shared Growth Initiative for South Africa (ASGISA) to address key constraints that inhibited rapid and broadly shared economic growth. This program, which enjoyed the support of all key social stakeholders, has focused its attention on questions of infrastructure development, skills enhancement, the promotion of SMEs, and the capacity of the organs of state to promote social development. Although some progress has been made in areas such as infrastructure development, issues such as insufficient skills development and capacity within state departments continue to hamper economic development. In order to address the questions of skills and capacity, government, business and labor have agreed on the Joint Initiative on Priority Skills Acquisition (JIPSA). This collaboration between these three social stakeholders seeks to enhance the process of attracting critical skills, as well as their development, within the South African labor force.

The general path of economic and fiscal policy, combined with Mbeki's centralist style of leadership, was rejected by the alliance partners and by some ANC factions. Under pressure from the left, the Mbeki government announced budget shifts in favor of increased social spending to enhance social justice and lessen inequality in 2004. But the estrangement of different factions led to the intra-party revolt which ousted President Mbeki from power in September 2008. This conflict over economic and social issues, together with an internal struggle for leadership explains to a large extent the alliance partners' support for Jacob Zuma who became president of the country in April 2009. Zuma, it can be argued, was not necessarily favored for his political astuteness, but rather because he represented the coalition of disaffected supporters that started to emerge around the politically motivated corruption trial which Mbeki cohorts conducted against him.

Despite some progress, the country still faces tremendous challenges. In 2007, the African Peer Review Mechanism (APRM) report on South Africa stated that despite the great progress the country made after the elections 1994, "South Africa remains a country of imbalances, disparities, distortions and a number of paradoxes." The most prominent of these negative attributes are the persistence of large-scale poverty, high levels of inequality, high crime rates, and a dualistic economic and social structure. Every South African government will have to face these challenges.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

South African governments retain the state monopoly of force throughout the country. The only exceptions are isolated sections in some of the country's major cities where crime is widespread and an atmosphere of lawlessness prevails. Border control cannot prevent the influx of illegal immigrants and refugees, particularly from Zimbabwe.

The legitimacy of the South African state is not challenged. The state, founded in 1910 as the Union of South Africa (a dominion of Great Britain), and declared a republic in 1961, is accepted by all groups. There are no noteworthy secessionist groups, not even in white right-wing circles. Due to the historical experience with the apartheid system, the constitution acknowledges the country's apartheid past and is very sensitive towards any form of discrimination. It includes an extensive bill of rights. It is particularly progressive in terms of the socioeconomic rights that it extends to citizens. These rights are however being put under pressure by the country's severe developmental needs. Xenophobic attacks against migrants from African countries in 2008 revealed how issues of material need impact on social tolerance.

South Africa is a religious society with considerable religious pluralism: There are numerous churches and many sects. State and religion are clearly separated and religious dogmas have no influence on institutions and political decisions. Yet, given the religious nature of the population, political parties do opportunistically employ religion for their own purposes. President Jacob Zuma is notorious for this, often making statements such as, "the ANC will rule until Jesus returns" and "God would vote ANC." Radicalism among the Muslim minority is very limited and weaker than before.

Question

Score

Monopoly on the use of force

8

State identity

9

No interference of religious dogmas

9

Administrative structures cover the entire territory. There are three levels of administration: National-, provincial- and local-level municipalities. The quality of administrative bodies varies considerably. Inefficiencies in service delivery exist, in particular at local level in economically weaker provinces (North Cape, the Eastern Cape, and Mpumalanga). In some cases local structures have even collapsed due to financial mismanagement and corruption, which necessitated central government intervention and administration. Dysfunctional municipalities have in some instances led to violent protests, which have resulted in increasingly brutal suppression by the South African police.

Basic  
administration  
7

## 2 | Political Participation

On 22 April 2009 the country's fourth democratic elections took place. South Africans elected the National Assembly and the parliaments of the nine provinces.

Free and fair  
elections  
8

At first sight the voter turnout was relatively stable with 77% of registered voters going to the polls in 2004 and 2009. But when an increase of the total voting-age population is taken into account, the turn-out rate stands only at 60%, a slight increase from 58% in 2004.

The ANC once again secured a comfortable majority with 65.9% of the votes and a total of 264 seats in the National Assembly. The ANC missed by only one seat the two-thirds majority of parliamentary seats which would have allowed it to change the constitution. Although the results of the 2009 elections confirmed the dominant party system, the ANC lost 3.8% of the votes (15 seats) compared to the 2004 elections. The DA remained the strongest opposition party with 16.7% and 67 seats (2004: 12.4%, 50 seats). The COPE, a political newcomer founded in December 2008 by disappointed ANC members, gained 7.4% (30 seats) of the vote. Given COPE's brief existence this result was a success but the expectations of COPE members had been much more optimistic. The process of the marginalization of the Inkatha Freedom Party (IFP) continued. The IFP received only 4.5% (18 seats) compared to 7% (28 seats) in 2004. It even lost the provincial elections in its stronghold, the Zulu-majority province of KwaZulu. Since there is no threshold included in the South African proportionality electoral system, a handful of microparties won a few seats. The ANC won the majority in all provinces except the Western Cape. The DA won the elections in the Western Cape and the former mayor of Cape Town, Helen Zille, became prime minister. The prestigious electoral victory of the DA was based on the support of white and colored votes that form the majority of voters in the Western Cape.



In 2011 the country will go to the polls for the fourth national local-government elections in 273 municipalities. Although the ruling party is expected to retain the majority of municipalities, it will be challenged strongly on its service delivery track record.

Democratic elections have become a routine. International and national observers had no doubts that the elections were conducted as free and fair. The Independent Electoral Commission (IEC) continues to increase its competence and is well prepared to oversee such large election operations. Notwithstanding this general judgment, some flaws in voter registration during the 2009 election and a shortage of ballot boxes in some areas were criticized.

The elected representatives retain the power to govern and there are no non-democratic veto powers with an impact on democratic decision-making. However, the dominant ANC has a strong influence on decision makers and parliamentarians from their own party. The influence of parliament is generally seen as weak, vis-à-vis its relationship to the executive and the dominant ruling party. While parliament provides the major platform for opposition parties to assert themselves, ANC members of parliament are more reticent. Although Cape Town, the seat of parliament, is the country's legislative capital, it can be argued that de facto power lies in Pretoria, the administrative capital, and the ANC's headquarters in Johannesburg.

Effective power to govern

8

The rights to form associations and to assemble are guaranteed by the constitution in Article 17 and 18 and these rights are respected. Nevertheless, in some cases the police use force against illegal demonstrations and protests. Individual cases of candidates who had been intimidated by political opponents or other political parties during campaigns have been reported.

Association / assembly rights

9

Freedom of expression is guaranteed by the constitution and is in general well respected except in cases of "hate speech". The media landscape in South Africa changed significantly after the 1994. The South African Broadcasting Service (SABC) lost its monopoly and private TV (also via satellite) was introduced. However, the SABC is still the most important source of information. Radio is much more diverse because of a very large number of local community radio stations. The landscape of print media has also changed significantly. There are four major publishing houses with different, independent quality newspapers. The weekly Mail and Guardian is at the forefront of investigate journalism. Newspapers, with the exception of Sunday papers and weekly publications, such as the Mail and Guardian, are largely regional. Only two serious national newspapers, Business Day and The New Age, are published daily. New newspapers made more headway in the

Freedom of expression

8

tabloid sector. The number of South Africans with internet access doubled between 2000 and 2008; approximately 10% of the population has access. In general, media access in rural areas reveals some deficits.

The relationship between the media and the ANC has always produced some tensions. In 2007, President Mbeki imposed his own candidates on the SACB board. The Zuma administration complained repeatedly about the hostility of the press whose reports focused on Zuma's scandalous private life. Discussions within the ANC about controlling the "irresponsible and negative" reporting of the media date back to the Polokwane party congress in 2007 where the ANC adopted a resolution to introduce a media tribunal. Finally the government tabled a new bill, aimed at regulation, to the National Assembly. The mooted establishment of a Media Appeals Tribunal (MAT) and the proposed Protection of Information Bill (POI) would give increased power to bureaucrats to classify information as secret, but are currently meeting vehement opposition from business, the media and civil society in general. After heated discussions, the ANC have held back on the implementation of both and opted for further discussion. But the bills have not been dropped. Proposals like these do however cast doubt over the commitment of the ruling party to free access to information. South Africa is ranked 38 in the 2010 World Press Freedom Index published by Reporters Without Borders. The means that the country has dropped five places, which can be explained by its increasingly acrimonious relationship with the media. In 2010, a prominent investigative journalist, Mzilikazi wa Afrika, was roughly arrested at the offices of the Sunday Times and kept in custody for days on alleged charges of faking a resignation letter by the premier of the Limpopo province. wa Afrika, who had exposed several instances of government corruption, was released a few days later after the charges were dropped. The message of intimidation was clear. In the run-up to the country's local government elections, ANC Secretary-General Gwede Mantashe declared that the media will be its biggest opposition during the election campaign, accusing it of publishing one-sided information that favors the opposition. This came at the same time as reports surfaced that a government minister allegedly severely abused his ministerial privileges to visit his jailed lover in Switzerland at the taxpayer's expense. Compared to other African states, South Africa probably still enjoys one of the freest media. In terms of international rankings only Namibia performs better.

### 3 | Rule of Law

The formal separation of powers is established by the constitution. South Africa maintained its parliamentary system of government after the 1994 transition. Article 85 of the constitution states that the executive power is vested in the hands of the president. The legislative consists of two chambers, the National Assembly and the National Council of the Provinces (NCOP) representing the nine provinces. The

Separation of  
powers

7

NCOP and the provinces are relatively weak and due to strict control by the ANC (eight provinces are governed by ANC prime ministers) unable to check the executive. Despite the weaknesses of the provinces, some senior ANC members have publicly discussed redrawing the provinces and dissolving the NCOP. The opposition parties fear that the proposed mergers of provinces – for example, the well-run Western Cape with the poorly administrated Eastern Cape province – would mean the end of the DA government in the Western Cape. The ANC argues that the disastrous financial state of some provinces requires a major reform of the already weak system.

The parliamentary system with its strong and functional relations between executive and parliament leaves oversight largely to the opposition. The dominance of the ANC in the National Assembly and the fragmented opposition makes effective oversight difficult. Nevertheless, the opposition has successfully challenged the government by efficient use of parliamentary committees. The oversight of the National Assembly as a whole is relatively weak. The ANC party structure disciplines ANC members of parliament, who depend heavily on the party because of the closed-list proportional representation -electoral system. As in most political systems the South African executive, the president and his advisory bodies, dominate the South African polity. During the Mbeki era the political process became highly centralized in the presidency, weakening the role of parliament. This legacy remains. There is a broad consensus among academics, opposition and even some ANC officials that the National Assembly has to be strengthened to become the political hub of South Africa.

In contrast to parliament, the judiciary, and in particular the Constitutional Court (formed along the model of the German constitutional court) is a much stronger player, capable of checking the executive. The Constitutional Court came into being with the acceptance of the interim constitution in 1994 and was entrenched within the final constitution of 1996. The new supremacy of the law meant that the idea of the supremacy of parliament came to an end in South Africa. Some of the court's rulings were major defeats for the executive and the parliament, although the executive and the ANC government play a decisive role in the recruitment process of judges. They are selected for a term of 12–15 years by the president on the basis of a proposal made by the Judicial Service Commission and in cooperation with the chief justice and the leaders of political parties. As a young institution, the Constitutional Court faces more criticism than those in mature democracies. It was attacked because of its composition and it's not just ANC supporters who argue that the Constitutional Court is too independent and should not "obstruct the will of the people."

As far as the separation of powers is concerned, some concern should be expressed about the ANC's policy of placing ANC loyalists in key positions across the civil service and in independent constitutional oversight bodies, like the Chapter 9

institutions, which include the Human Rights Commission and the Public Protector. While this may not be uncommon in many democracies, the ANC's blanket implementation of this policy in areas like local government has led to appointments of functionaries with neither the qualifications nor experience to implement development policy in highly impoverished areas.

There is no direct interference by the government in the highly differentiated and mostly effective South African judiciary. Safeguards for the judiciary and especially judges are anchored in the constitution. They include protection from arbitrary removal from office, security of tenure, and a guarantee against the reduction of salaries by the government. During the highly politicized 2009 campaign and the large-scale corruption scandal of Jacob Zuma, a debate about the necessity of "transforming" the judiciary in the wake of the "national democratic revolution" gained momentum. These debates raised fears within the country and concern internationally about the future of the independence of the judiciary. So far, such fears have not materialized and judges have withstood political pressure in the Zuma corruption case. In general, there is growing consensus that the predominately white judiciary should become more representative.

Independent  
judiciary  
8

South Africa established a differentiated and comprehensive framework of regulations to penalize officeholders who abuse their power. The infamous arms deal saga, which saw the country buying expensive armament in the late 1990s under highly suspicious tender procedures, will remain an albatross around the neck of the present government and its commitment to stamp out corruption. To date it has resisted any attempt at a truly independent investigation into the affair, which allegedly saw several leading ANC members benefit from financial kickbacks. The arms deal saga also played a prominent role in the court case against Zuma in which it was alleged, amongst other things, that he gained financial benefit by ensuring that a close confidant benefited from the arms contracts. Eventually the National Prosecuting Authority (NPA) halted its investigation against Zuma after leaked phone conversations between members of the Scorpions anti-corruption unit (the Directorate of Special Operations) showed that the timing of the trial was selected to embarrass Zuma. His prosecution was called off before the evidence against him could be tested in a court of law.

Prosecution of  
office abuse  
6

Shortly thereafter the Scorpions, who operated independently of the South African Police Service, and had more independence in terms of its discretion for prosecutions, were disbanded. This was seen by many as a political move to get rid of an anti-corruption unit that made life uncomfortable for several politicians who displayed questionable ethical behavior. The Scorpions were replaced by the "Hawks" unit, which was placed under the control of the police, thereby forfeiting its independence. The acting head of the NPA, Mokothe Mpshe, was replaced by a questionable appointment, Adv. Menszi Simelane. In a Constitutional Court judgment in 2011, the court ruled that the disbandment of the Scorpions was

unconstitutional and that the founding provisions of the Hawks do not give the organization the necessary independence to prosecute without fear or favor. This case was pursued by a lone businessman, Hugh Glenister, at great financial expense.

Corruption is becoming an increasingly worrying issue and the ANC generally shows a lack of enthusiasm when its members, particularly at higher levels, are involved. In some instances this appears to have given a sense of impunity to party heavyweights. From time to time, political interference in corruption cases is witnessed. Whistleblowers and critical journalists, who are regarded as troublemakers by many politicians, are in theory adequately protected by law, but in practice protection is more limited. The Protected Disclosures Act, passed in 2000, which should protect whistleblowers, is largely ignored and whistleblowers often face sanction and threats. The public protector, whose position is comparable to that of an ombudsman, has repeatedly complained about the practice but this has not led to changes thus far.

Apartheid's systematic violation of civil rights was responsible for the progressive and detailed regulations in the constitution. The constitution established a number of specific institutions for monitoring, research and further improvement of government policies. The record of these Chapter 9 institutions is mixed, because some of them lack sufficient resources or remain passive. Although there have been no systematic acts of violence by the government, police brutality is becoming an increasingly worrying phenomenon, with hundreds of complaints being lodged at the Independent Complaints Directorate, which range from deaths in police custody to torture of members of the public. The most recent public incident was the alleged killing on national television of Andries Tatane in the town of Ficksburg during a protest against insufficient government service delivery. National and international human rights groups (see Amnesty International Report 2010) continue to report civil rights violations with respect to the excessive use of police violence against migrants or refugees and the maltreatment of suspects in police custody in prisons. The Judicial Inspectorate of Prisons received over 2,000 complaints from prisoners about violence by prison guards. In the wake of the preparations for the world soccer tournament, illegal aliens were often removed by the police with force. Despite detailed legislation and serious efforts to protect girls and women, widespread violence against them has continued. So far, the Domestic Violence Act (DVA) has not been adequately implemented. The government has improved the provision of anti-HIV drugs for HIV-infected South Africans.

All in all, the civil rights situation has not improved during the period under review.

Civil rights

7

#### 4 | Stability of Democratic Institutions

South Africa's democratic institutions perform along constitutionally defined lines. Laws are made according to the constitution. As in many other democracies, the executive dominates politics. The National Assembly with its various portfolio and select committees is still unable to realize its oversight function because of one-party dominance and interventions by ANC party institutions. The judiciary is mostly effective and professional. At national level performance differs between ministries. Some ministries such as the ministry of home affairs are clearly underperforming. There is sometimes a lack of coordination between the ministries. The situation is much more difficult at the regional and local level. The lack of qualified personnel, often a result of the incorrect application of affirmative action and ANC patronage, damages the effectiveness of the local and provincial administration and has led to severe delivery crises in many regions.

Performance of  
democratic  
institutions  
8

All major players accept democratic principles and institutions. The military has no political aspirations. There is overwhelming support for the virtues of constitutionalism. Only in some parts of the ANC and among South African intellectuals is constitutionalism not deeply rooted. An example for this are recent comments about the necessity of "transforming the judiciary" in the course of the "national democratic revolution." It remains unclear what is really meant by transformation. Some argue that this transformation is meant to alter the racial composition of the bench, while others fear that it could violate commonly accepted constitutional principles.

Commitment to  
democratic  
institutions  
8

Few in the ANC still aspire to true socialist revolution.

#### 5 | Political and Social Integration

The ANC's electoral dominance continues and the system can at present be classified as one-party-dominant. The ANC is often described as a broad church representing the different interests of a wide range of groups. It claims to have over 600,000 members. The party benefits from its reputation as the most prominent liberation movement, to fight apartheid and liberate the country. Against this historic background, the strongest opposition party, the DA, which is still perceived by many as a party of white historical interests, does not represent an alternative for the overwhelming majority of black voters. After the internal succession struggle that culminated in the election of Jacob Zuma as new party president and, eventually president of the country, Zuma has managed thus far to pacify and satisfy the ambitions of most of the tripartite alliance's major stakeholders, which include the ANC Youth League, COSATU and the SACP. At the start of 2011, it seemed as if Zuma's balancing act was being challenged, following rumors that

Party system  
8

some of his prominent comrades and former backers are working towards ousting him at the party's next national conference in Bloemfontein in 2012. Nevertheless, given its electoral dominance, the ANC benefits from legislative formulae for party funding, as well as private funding. There is little transparency in the regulation of the latter and parties are not required to divulge the names of their private benefactors. Neither the ANC nor opposition parties are keen to change the status quo. The establishment by the ANC of an investment arm run by prominent ANC members called Chancellor House (CH) is questionable. The major purpose of this business is to channel its revenue to ANC coffers. Controversially, Hitachi SA, in which CH has a significant stake, received a contract from Eskom, the energy parastatal, to supply equipment for Eskom's multi-billion-dollar infrastructure expenditure.

The South African party system still largely operates along racial lines, although the last elections revealed some changes in voting behavior. For instance, the Western Cape, which is predominantly colored and black, is governed by the DA although that party is perceived to be mostly white. In most instances voters who are disillusioned by their party abstain from voting, rather than vote for another party. Voter volatility has increased from election to election. One reason for this has been the creation of the COPE. COPE was formed by some high-ranking former ANC members who belonged to the Mbeki camp, and lost the succession battle against Zuma. The party mainly attracts black voters and theoretically has the potential to threaten ANC hegemony. The elections and its aftermath, however, demonstrated that COPE is deeply divided by competing party wings, centered on the two party heavyweights, Mosiua Lekota and Mbhazima Shilowa. The political agenda of COPE remains vague and its ideology is opaque. Political ambitions rather than principles have guided its formation. Although the DA gained significant support during the 2009 general elections, some suggest that the party may have hit the proverbial glass ceiling, given its limited voter reservoir – colored and white voters. In local government elections during the first quarter of 2011, the DA has, however, nominated more black counselors than ever before and its party manifesto launch took place in Klipown, a township with profound symbolic value. The ANC's Freedom Charter was drafted there.

Extremist parties do not play any role, and the South African party system undoubtedly enjoys a high degree of stability. The negative effects of the dominant party system have increased over the years. The dominance of the ANC over political institutions (in particular the National Assembly) growing corruption, the politicization of the public service and a certain arrogance in power mongers have all been byproducts of this. Nevertheless, the ANC respects the democratic constitution and the party is able to deal appropriately with the high extent of dissatisfaction within large segments of the population.

South Africa has a diverse population of well-organized interest groups. The main trade union federation COSATU has nearly 2 million members and is politically close to the government. Senior COSATU leaders have also been co-opted into ANC and government structures. The country's Minister for Economic Development, Ebrahim Patel, is, for example, a prominent member of the union federation. Its political affiliation does, however, not stop the trade union movement from challenging the government. In September 2010 over 1 million public sector employees went on strike. The strike lasted over three weeks and ended after President Zuma intervened directly, promising significant salary increases, in excess of what the treasury had budgeted. Different business federations are also well organized but in contrast to trade unions, do not play an overt political role. They have in recent times been criticized by National Planning Minister Trevor Manuel for not being assertive enough in national economic debates. Some parts of the business sector show a tendency to overcome the racial cleavages among interest groups. Historically, churches played an important societal and political role within the progressive movement for liberation. Their political influence declined over the years. Some famous church leaders such as the former archbishop and Nobel laureate Desmond Tutu raise attention when they criticize the government or undemocratic behavior. Ironically, while the country remains highly religious, religious institutions play far less of an activist role than in the past.

Interest groups  
8

The country does have a very vibrant civil society, which is often, however, beset with financial challenges. Larger, better funded operations play a leading role in social- and peace-building affairs nationally and on a continental scale. The past decade has also seen the proliferation of hundreds of new social movements, many of them survivalist by nature. The Treatment Action Campaign is among the most prominent groups campaigning for improved healthcare, particularly for those infected with HIV/AIDS. Others include Abahlali baseMjondolo which campaigns around issues of housing, and in recent years Equal Education, which campaigns for minimum infrastructure standards in the country's public schools. Due to its status as a semi-industrialized country, by comparison with many other African countries South Africa has a dense network of interest groups strengthening democratic participation and mediating between society and the state. In some instances these bodies provide a stronger counterweight to government power than opposition parties.

The latest Afrobarometer survey, which was conducted in South Africa between October and November 2008, indicates a mixed picture about the citizens' approval of democracy. While general support for democracy is still high and even slightly improved on 2006, fewer people are satisfied with the way that South African democracy works and fewer people trust democratic institutions.

Approval of  
democracy  
7

The survey shows that two thirds of the respondents (66.7% in comparison to 65.9% in 2006) prefer democracy to any other form of government and between



63% and 67 % reject different forms of authoritarian rule. On the other hand, less than half of the population (49.2 %) is fairly or very satisfied with democracy in South Africa. This figure becomes even more meaningful if one considers that in 2006 satisfaction stood at 63. 2%. This most recent Afrobarometer pointed to a decline of trust in political institutions. Less than one third of the respondents trusted the Interim President Montlanthe. Also, trust in former President Mbeki decreased by roughly 20% between 2006 and 2008 but trust in the institution of president as such is much higher with 65% in 2011 (South African Reconciliation Barometer). Trust in parties (as in many countries) and the parliament is low: Only about 41 % believed in the trustworthiness of parliament and the police. While trust in the ANC decreased by about 11%, there has been a positive trend for trust in the opposition parties in recent years. In 2008 more or less one third of South Africans trusted the opposition.

An increase in the number of illegal and/or violent protests against local government service delivery issues may in some instances suggest that citizens feel that existing institutions are unable to provide key services or serve as channels through which dissatisfaction can be trammelled.

Until now it seems that the moderate level of trust and satisfaction does not affect the general support for democracy but future surveys have to show if citizens' support for democracy has taken roots in society and is strong enough to guarantee support even in longer periods of crisis and dissatisfaction.

Self-help organizations or community-based organizations are wide-spread in South Africa; there are an estimated 50,000 such organizations. Few of these community-based groups organize members across the skin color line.

Hundreds of years of discrimination, racial segregation and the introduction of apartheid in 1948 have led to low levels of social trust between the different ethnic groups. The creation of a new, non-racial identity and social capital is still one of the biggest challenges for the country. For example, the results of the tenth round of The South African Reconciliation Barometer (2010) show that 35% of South Africans still view people from other racial groups as "untrustworthy." This relatively low level of interpersonal trust will remain an obstacle for democratic consolidation.

The impact of HIV/AIDS on the cohesion of families has been highly relevant to the issue of social capital. The virus has literally decimated family life in many contexts, and has had a particularly ravaging effect on the close ties that once existed within extended families, particular in the black African section of the population. This has led to the growing phenomenon of child-headed households where parents and other adult relatives have passed away, leaving children to raise their siblings.

In addition, high and rapid rates of migration towards urban centers have contributed to the decline of the country's traditionally large households. This is particularly evident in relation to the provision of government housing, where the demand for houses far outstrips population growth.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

South Africa is classified as a middle income country with a strong industrial sector and a well-developed infrastructure. Since 1995 its HDI has fallen consistently. It decreased from 0.67 (ranked 125 out of 177 countries) in 2008 to 0.60 in 2010 (ranked 110 out of 169 countries). Compared to other countries with a similar GDP, South African HDI performance is low, especially given the negative effect of HIV on life expectancy. The high GDP per capita hides enormous income inequalities: In 2000, the South Africa Gini coefficient stood at 0.68 which gives the country one of the most unequal income distributions in the world. By 2008, this score increased further to 0.70 according to a recent study (Stats SA (2000) Income and Expenditure Survey; National Income Dynamics Study (2008)). Since democratization in 1994, income inequalities within the different race groups, especially within the black population group have increased strongly. According to the latest figures from the World Bank, 42.9% of South Africans can be considered to be poor, with less than \$2 a day to live on. The overwhelming majority of these are black South Africans. There is no political consensus in South Africa on a poverty line. Different studies estimate that the number of poor South Africans is between 30% and 40% of the population, and some studies even argue that the share is around 50%. The figures decreased slightly during the high growth years before the financial crisis hit South Africa in 2008/2009. While such declines may partly be attributed to the growth of a small black middle class, much of it can be explained by the rapid expansion of the coverage of the South African welfare system. It is estimated that close to a third of the South African population receive some form of grant or pension from the state. This expansion is unsustainable in the long term, which makes addressing the country's high unemployment rate (a quarter of the labor force) an urgent priority.

Poverty is also the result of the high number of HIV infections (5.7 million). Although poverty rates may be high in South Africa, the situation is much better compared to most African states, and particularly the country's neighbors, such as

Question  
Score

Socioeconomic  
barriers  
5

Lesotho, Mozambique, Swaziland and Zimbabwe. The Gender Empowerment Measure (GEM), calculated by the UNDP, stands at 0.37 (2005). The performance of South Africa is therefore below the worldwide average (0.51).

| Economic indicators       |          | 2007     | 2008     | 2009     | 2010            |
|---------------------------|----------|----------|----------|----------|-----------------|
| GDP                       | \$ mn.   | 286169.1 | 275278.7 | 282754.4 | <b>363703.9</b> |
| GDP growth                | %        | 5.6      | 3.6      | -1.7     | <b>2.8</b>      |
| Inflation (CPI)           | %        | 7.1      | 11.5     | 7.1      | <b>4.3</b>      |
| Unemployment              | %        | 23.0     | 22.9     | 23.8     | -               |
| Foreign direct investment | % of GDP | 2.0      | 3.5      | 1.9      | <b>0.4</b>      |
| Export growth             | %        | 5.9      | 2.4      | -19.5    | <b>16.5</b>     |
| Import growth             | %        | 9.0      | 1.4      | -17.4    | <b>5.5</b>      |
| Current account balance   | \$ mn.   | -20018.3 | -20083.3 | -11327.0 | <b>-10117.3</b> |
| Public debt               | % of GDP | 27.4     | 26.8     | 30.9     | <b>35.7</b>     |
| External debt             | \$ mn.   | 43610.2  | 42551.2  | 42466.3  | <b>45164.8</b>  |
| Total debt service        | \$ mn.   | 5263.6   | 4557.4   | 3741.3   | <b>5084.1</b>   |
| Cash surplus or deficit   | % of GDP | 1.1      | -0.5     | -4.9     | -               |
| Tax revenue               | % of GDP | 28.9     | 27.9     | 25.5     | -               |
| Government consumption    | % of GDP | 19.0     | 19.2     | 21.1     | <b>19.7</b>     |
| Public expnd. on edu.     | % of GDP | 5.3      | 5.1      | 5.4      | -               |
| Public expnd. on health   | % of GDP | 8.4      | 8.2      | 8.5      | -               |
| R&D expenditure           | % of GDP | 0.93     | -        | -        | -               |
| Military expenditure      | % of GDP | 1.3      | 1.3      | 1.3      | -               |

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

## 7 | Organization of the Market and Competition

Unlike many African countries, South Africa has never experienced a socialist experiment. For political reasons, state intervention was used before 1994 to protect the white working class against labor market competition. Therefore, state and

Market-based  
competition

8

parastatal companies still play an important role. The fundamentals of a market economy are well-established in South Africa. Compared to other African countries, the informal sector is relatively small, comprising approximately only 16% of employment.

Historically, the South African economy consisted of a number of large monopolistic parastatal structures. There is only one railways provider, one major gas pipe provider, one major electricity supplier and one water provider. Monopolies, particularly in the mining industry, have also historically been a feature of the private sector.

As a result of government's late 1990s policy of restructuring state assets, some non-core assets of parastatals were sold to the private sector, and in other cases the state went into strategic management relationships (retaining majority stakeholding) with the private sector.

In 1998, the Competition Act laid the foundation for South Africa's anti-monopoly policy. In 2008 the government announced measures to strengthen the Competition Commission and the Competition Tribunal. Although deficits in the enforcement of regulations remained, the Competition Commission has become much more assertive, with investigations into price fixing in key areas such as the price of bread and banking costs.

It took many years to open up the South African telecommunication market. The former monopolist, African Telkom, now faces competition from private companies, but the government still holds the majority of stakes in Telkom.

The South African economy has liberalized its trade regime step by step since 1994. This policy created a relatively open economy. After difficult and controversial negotiations, a free trade agreement with the European Union (Trade Development and Cooperation Agreement (TDCA)) was signed in 2004 and subsequently trade between South Africa and the EU has increased. The country has, however, not renewed the Economic Partnership Agreement (EPA) between the EU and the Southern African Development Community (SADC) because it is feared that the agreements in their current form will become an obstacle to true economic integration in the SADC region. South Africa has been a member of the WTO since 1995 and complies with its regulations. Another early 2011 development that may have far-reaching consequences for trade is the country's membership of the BRICS or Brazil, Russia, India and China group. While Europe still remains its largest trading partner block, trade with BRICS countries is set to overtake this in the not too distant future. This development also signifies the country's growing allegiance with the global South, as also exemplified in its siding with these states in global multilateral forums, such as the Doha Round and global climate change talks.

Anti-monopoly  
policy  
8

Liberalization of  
foreign trade  
7

South Africa has a modern banking system consisting of half a dozen large banks (Nedbank, ABSA, Standard Bank, First National Bank etc.). These banks work according to international standards and are more advanced than their counterparts in many African countries. They have gradually extended their business to the townships and included more and more South Africans in the modern sector. A banking culture has, however, not really been entrenched amongst the majority of South Africans, as exemplified by the country's generally low savings rate. This is due to high levels of poverty, but also high banking costs, particularly for those in the working- and lower-middle-class. As a result, new banks such as Capitec, which has been the country's fastest growing financial institution, focus on this niche market with great success.

Banking system  
9

Over the last ten years, international banks have invested in well-run South African banks, with Barclays Bank and the Industrial and Commercial Bank of China (ICBC) holding significant stakes in ABSA and Standard Bank respectively. South African banks such as Standard, Rand Merchant Bank, and Investec, have also become active on African markets. The capital market is well-developed and the Johannesburg Stock Exchange (JSE) is the largest stock exchange in Africa. The country is an active member of the Basel Committee on Banking Supervision. South African banks are well capitalized. Currently, the South African Reserve Bank and the government are working on new supervision standards according to the Basel principles. South Africa will implement the Basel III standards by 2012.

## 8 | Currency and Price Stability

The financial and economic crisis increased the inflation rate to 9.5% in 2008, after which it declined again to 6.8% in 2009. This was a strong increase compared to the relatively moderate rate of around 5% in previous years. The increase was, however, more related to external factors, such as the price of fuel and food commodities, than to domestic stimulants, which could be controlled through interest rates. The situation recently improved. In 2010 the inflation rate dropped to 4%. The government and the central South African Reserve Bank's target of holding inflation in a corridor between 3%--6% was met and it is projected to peak at just under 6% by the end of 2011, largely due to the increase in the price of oil. The central bank is formally independent, and while there has been debate about more expansionist monetary policy in recent years, it has stuck to its core mandate of inflation targeting under the Zuma government. The central bank reduced the interest rates during the crisis years 2008/2009 but recently refused to support lower interest rates for a more active stimulus policy. The relatively small size of the South African economy (including the Rand monetary zone with Botswana, Lesotho and Swaziland), its low savings rate and high dependence on short-term capital flows leaves the country's currency with a high structural volatility. Thus far

Anti-inflation /  
forex policy  
9

the country has, however, resisted any artificial manipulation of its value. In recent years it has, according to observers, traded at levels that were too high to support the country's export sector. The rand, which declined somewhat against the dollar and the euro during the global crisis, has rebounded, and during 2010 it traded at strong levels once more, although these were not very favorable for the promotion of exports. Much of its strength could be attributed to the strong capital inflows that South Africa, like many other emerging economies, has experienced in 2010.

Although the world economic crisis affected the macroeconomic situation of the country, its recession was relatively brief compared to many of its peers. Prior to 2008, South Africa enjoyed a remarkable degree of stability. In 2006 and 2007 the country ran a budget surplus due to a conservative fiscal policy. In contrast to most African countries, South Africa had a relatively moderate public debt of less than 50% of GDP. This means that South Africa would meet the Maastricht criteria of European Monetary Union (60%). The total debt service decreased from an already low level of slightly over 2.0% to 1.7% of GNI in 2008, but increased once again as the country entered deficit territory in the post-recession years. The budget account deficit increased during the economic crisis to 3.9% of GDP by the end of 2010 (third quarter) and the national treasury projects that it will be around 5.3% by the end of 2011. The main reasons for this growing deficit is heavy investment in infrastructure (public transport, energy), increased debt costs and the public wage bill, which has come under pressure, due to demands from government's labor partners. The high level of expenditure on social welfare is an additional burden, with almost a third of the population receiving some form of grant or pension. As mentioned elsewhere, its rate of expansion is unsustainable. Job creation will remain one of the major tests of the country's macroeconomic stability. Thus far the national treasury and Reserve Bank have excelled in balancing the country's books under severe developmental pressures. Much will depend on their ability to withstand more pressure to give in to more expansive spending policies.

Macrostability  
8

## 9 | Private Property

Private property was explicitly guaranteed by the constitution to combat fears that the ANC would nationalize white businesses and expropriate land. Under apartheid, black South Africans were marginalized from the South African economy and disenfranchised as far as property ownership was concerned. Land ownership and restitution are politically sensitive and emotionally difficult issues in all former settler colonies. The ANC government has undertaken to retransfer approximately 30% of agricultural land to disadvantaged communities. The government has changed the land reform strategy several times and the resulting unpredictability and uncertainty has had a detrimental impact on the agricultural sector. In 2009, the government adopted the Comprehensive Rural Development Program (CRDP)

Property rights  
8

which tries to link sustainable land reform, food security and training for new land owners. Some observers argue that more recent approaches towards land reform reveal more realistic pragmatism and less ideology. This might reflect learning effects and the government's low profile, adopted to prevent land reform becoming a highly politicized issue. But on the other hand, there is also a discussion to review the principle of willing buyer/willing seller, which could result in a policy that would make expropriation on different terms easier. Government's major complaint has been that farmers inflate the price of their land far above market prices, which makes it too expensive for the state to buy farms and transfer them to marginalized communities.

Historically the state has played a prominent role in the South African economy. Large parastatal companies were formed to accelerate the country's industrialization in the 1950s and 1960s. These also provided a major source of employment to white South Africans. Parastatals still play a significant role in the economy, although their operations and management are beset with inefficiencies. Private enterprise, however, remain the backbone of the South African economy. Private business is well organized and South Africa has a dynamic entrepreneurial class. According the World Bank's 2010 Doing Business report, it takes 22 days and six procedures to open a business in South Africa. Compared to the world average of 32 days and eight procedures, South Africa is mid-ranked. Internally, however, the country does struggle to align financial development institutions with the needs of newly emerging entrepreneurs. This is a significant obstacle to the creation of a larger black entrepreneurial class.

Private enterprise

7

During the latter part of the 1990s the government embarked on what it called the restructuring of state enterprises, which entailed among other things the sale of less profitable ventures or public-private partnerships. This, in effect, amounted to privatization, but given the ideological inappropriateness of the term in relation to the ANC left-wing alliance partners, it was never referred to as such. Such restructuring has, however, ceased as a result of the massive opposition that it received from the political left and trade unions. The financial crisis has strengthened the tendency to rely more on the state investment, yet the government has refrained from the introduction of any stimulus packages during and after the recession. Large-scale privatization is therefore not on the agenda. In recent years a growing debate has emerged on the question of nationalization, particularly in relation to the mining sector. Fears have emerged that such speculation can be counterproductive and may result in the country losing out on another possible global commodities super cycle. Although the ANC has stated that it does not have an official policy backing nationalization, it is open to debates on how the state can best be restructured to improve the living conditions of its citizens. The absence of a consistent position on the question of the minerals sector is, however, detrimental to the kind of predictability that many investors require.

## 10 | Welfare Regime

Seventeen years after the end of apartheid, the massive inequality between the country's different population groups remains one of South Africa's major developmental challenges

Social safety nets  
6

Whereas white South Africans enjoyed a relatively well-developed welfare system, the black majority was left with only rudimentary welfare services. The social system in South Africa is divided into public and private sectors.

Immediately after 1994, a significant shift in the allocation of resources to social spending for previously marginalized groups occurred. Yet, spending was restrained due to the government's objective of balancing the country's books through policies of fiscal discipline related to the GEAR strategy. Since the turn of the millennium, government spending increased on the back of an improved fiscal position. In the subsequent years, huge investments were made in access to basic services (e.g., housing, water, sanitation, electricity) and the health system. In addition, the number of beneficiaries of social grants increased from 2.4 million in 1996/1997 to 12.4 million in 2007/2008. Estimates put the number of South Africans who will receive at least some form of transfer (pension or grant) from government at almost 15 million in 2011. In rural areas, family networks still play a role but their significance has declined following the social destruction caused by HIV/AIDS. HIV is also the main reason why life expectancy stands at 51 years, which is comparatively low among South Africa's international peers. The government is currently pursuing the idea of a National Health Insurance, but thus far, these plans are constrained due to limited human and financial resources.

Hundreds of years of discrimination resulted in a South African constitution that strongly and progressively prohibits any form of discrimination on the basis of social class, religious belief or ethnic and racial identity. The record of equal opportunity is positive, but certain problem areas do exist.

Equal opportunity  
6

On the one hand notable progress has been made: The comparatively high literacy rate stands at around 89% for both sexes. Data on school enrollment reveals that more female students are enrolled in secondary educational institutions than males. Several institutions such as the Office of the Status of Women, which is based in the presidency, were established to end discrimination and to introduce a gender mainstreaming approach. Women are well represented in public office. Over 44% of South Africa's members of parliament are women. This is one of the highest shares worldwide. The ANC has introduced a 50% quota for women in senior positions. Besides politics, women play an important role in public life. Many affirmative action programs include special provisions for black women.



On the other hand, the daily reality paints a different picture: Women have poor access to health services and they are disproportionately hit by poverty. Women and children in South Africa also suffer extraordinary levels of harassment, physical and sexual violence. The official figures for rape are 50,000 cases annually. Women are also disadvantaged in access to land titles. The reasons for ongoing discrimination practices include a wide range of traditions and customs.

The implementation of a variety of empowerment and affirmative action measures in the public and private sectors have in some instances had unintended consequences. Government measures aim to increase the number of black (which includes black African, colored, and Indian South African) South Africans in government and private institutions to make the workplace and economy more reflective of the country's demography. It also wants such representation to be visible at all employment levels from the shop floor up to the boardroom. The current government strategy of Broad-based Black Economic Empowerment (BBBEE) has been met with resistance (for different reasons) from business and labor interests, as the number of beneficiaries from such policies is limited. Critics argue that BBBEE has not resulted in improvements for the majority of black entrepreneurs but has given birth to a small, ANC-related black elite, at the expense of broader-based empowerment. Such policies have, according to these critics, put too much emphasis on ownership and not enough on employment per se. Currently the government, under pressure from the left, has indicated that it intends to tighten rules concerning the implementation of true black empowerment initiatives. A major constraining factor remains the insufficient supply of skilled black workers for the labor market.

## 11 | Economic Performance

During the period under review the country experienced its first brief recession in 17 years. In comparison to most economies, the exogenous shocks had a relatively moderate impact on macroeconomic indicators. The growth rate was only negative (-1.8%) in 2009 after a protracted period of relatively strong growth. The economy recovered quickly and analysts expect a growth rate of around 3% in 2010. Between 2006 and 2009 the per capita income grew to \$10,300 (PPP), the third highest in sub-Saharan Africa. This relatively high level should, however, be read in the context of the country's high level of inequality. Currently South Africa has a Gini coefficient of 0.70.

To country would, however, need a growth rate of up to 7% annually until 2020 to halve its current unemployment rate of 25%. More expansive definitions of unemployment, which include discouraged jobseekers, bring this figure closer to 40%. Unemployment may become the Achilles heel of South Africa's economy. During the crisis, the South African economy lost approximately 1 million jobs (6%

Output strength

7

in total). A sharp decrease in the current account balance was notable in 2009. The reason was a significant drop in imports, as a result of the recession. FID is, compared with countries like Brazil, Chile and Malaysia, relatively low at around 2% of GDP. Due to a reduced demand, South Africa's trade deficit decreased in 2009 and became slightly positive in the second quarter of 2010. It is expected that the country will benefit from the expected increase in commodity prices.

## 12 | Sustainability

South Africa is a signatory of many international environmental conventions and agreements. The country established comprehensive legislation based on the National Environmental Management Act in 1998. In 2008, the government adopted the National Framework for Sustainable Development (NFSD). The NFSD acknowledges the country's environmental problems and defines a sustainable development strategy. As in most developing countries, a strong tension exists between the imperative for development and that for environmental protection. During international climate talks – most recently in Copenhagen – South Africa once again sided with peers such as China, India and Brazil, arguing that a larger burden for environmental protection should fall on the developed world. The government's New Growth Path document strongly prioritizes the development of so-called “green industries”, but at this stage little detail exists on what exactly this would entail. The South African experience shows that despite extensive legislation, environmental concerns are often not adequately addressed. The implementation of environmental rules is often weak and subordinated to economic growth. Degraded soil, water issues and pollution by industrial production and raw material extraction (coal, gold) pose serious problems. However, awareness of environmental problems has increased and South Africa has successfully made efforts to preserve the unique flora and fauna of the country. The preservation of its natural beauty is motivated also by the immense significance of tourism, which contributes over 8% to the country's GDP.

Skills development and education arguably pose the most significant challenge to the sustainability of South Africa's longer term development.

South Africa inherited a highly fragmented and unequal education system from the apartheid era. The education of the non-white majority was neglected for decades. Black South Africans in particular received the infamous Bantu education with low quality and low per capita spending. This legacy, and the continued poor state of public schooling and skills development initiatives, continue to distort the labor markets, where masses of unskilled and uneducated South Africans have little chance to find a job in the formal economy, while several vacancies for skilled labor exist in government and the private sector.

Environmental  
policy  
7

Education policy /  
R&D  
6

South Africa spends a considerable share of its resources on education, which received 21% of the country's national budget in 2011. Despite this comparatively high spending, the results have been disappointing. While high enrollment rates have been achieved, graduation rates are low, and the quality of education in many public schools is questionable. One reason is that the quality of teachers and the teacher–student ratio are insufficient, especially in rural areas. Some experts also blame strong teaching trade unions which block necessary reforms. Recently the minister for basic education reported a significant increase in the pass rate of “matric” exams for 2010. However, some have pointed out that this may have been due to a lowering of standards and the number of students choosing sciences as the main subject has decreased. Tertiary education standards in some universities are fairly high but the number of university leavers qualified in technical subject areas is too low for the demand from the economy. The expenses for R&D are around 1% of GDP which is high in comparison with most African countries but lower than in many other middle-income or OECD countries. In general, the education system is underperforming.

## Transformation Management

### I. Level of Difficulty

Significant structural constraints are to a large extent a legacy of apartheid. High levels of inequality in income and education between the different racial groups are still persistent, despite consistent efforts since 1994 by the government to reduce them. The continued underperformance of the country's education system is largely responsible for the perpetuation of poverty and inequality. Poverty is still pervasive, but to a lesser degree than in most other African states.

Structural  
constraints  
6

A major challenge for the country is the HIV/AIDS pandemic. UNAIDS estimates that 5.7 million South Africans are infected with the virus. The prevalence rate stands at around 18% for the 15–49 year-old age group. Approximately 350,000 South Africans die because of AIDS annually and 1.4 million orphans need support. The HIV pandemic puts the health system under strain and has a negative impact on the economy and the labor market. The number of infected is now beyond the peak and stagnating. The spread of HIV in South Africa as a whole has historic roots (for example the migrant labor system), but the Mbeki administration's chaotic and irresponsible policy contributed to the extent of the disease.

South Africa remains a mineral-rich country with the potential to reap significant profits from newly industrializing states such as China. Unfortunately, the government's lack of clarity around the question of nationalization may scupper its potential competitive advantage in this regard. It has, furthermore, made little progress in terms of its intention to promote the beneficiation of raw materials in South Africa. Instead it continues to export raw materials and then import products produced from such materials in other countries.

Furthermore, in contrast to many African states, South Africa enjoys a well-developed infrastructure, and a relatively modern economy with a highly sophisticated banking and financial sector. The agricultural sector is competitive on world markets, despite the nagging issue of inconsistent land reform policy. The country's natural beauty ensures that it remains a world-class tourist destination.

South Africa has a fairly strong civil society tradition. Historically, the struggle against apartheid shaped this sector of society, but after 1994 civil society has become politically weaker for at least three reasons. Firstly, a gradual de-politicization of civil society and political life in general took place. Secondly, some groups are close to the ANC or have even been co-opted, which weakens their watchdog role. Thirdly, many groups struggle with funding and have difficulties adapting to a much more competitive environment where many donors require very sophisticated administration and monitoring and evaluation. The civil society arena is dominated by traditional interest groups stemming from the socioeconomic sphere. Therefore, the much-proffered notion of South Africa's vibrant civil society needs to be qualified.

Civil society traditions

3

There are few violent incidents originating from racial or ethnic differences. South Africa, however, remains a divided society. Inequality remains the main social cleavage with close to half of the population living in poverty. This social cleavage matches historically defined racial categories, although the numbers of black South Africans belonging to the new black upper and middle class has increased. The political climate is still polarized but the polarization is less acute than during the electoral campaigns in 2008–2009. President Zuma, who seems to be less preoccupied by questions of race and identity than his predecessor Mbeki, successfully mitigates tensions by restraining racist rhetoric. Yet some within the alliance, such as the ANC Youth League President Malema, have become polarizing figures in this regard. During the first quarter of 2011, Malema was on trial on hate speech charges relating to the singing of the resistance song, "Kill the Boer." It remains to be seen whether the Zuma government continues the strategies of the Mandela and, to a lesser degree, the Mbeki administrations, in pursuing an active reconciliation strategy to overcome the deep-rooted conflicts. Such policies, which coincided with the work of the country's Truth and Reconciliation Commission, sought to eradicate the sources – historical, material and psychological – of social division in post-apartheid South Africa.

Conflict intensity

5

## II. Management Performance

### 14 | Steering Capability

Prior to the 2009 general election and in its immediate wake, the government postponed any drastic reforms in order to consolidate its position after a protracted internal succession battle. Apart from the appointment of cabinet members that were more reflective of the composition of the tripartite alliance, it took considerable time before the new administration became more assertive. As it came

Question  
Score

Prioritization

7

to power in the middle of a global recession it also had little opportunity to act differently. In November 2010, four years after the government introduced ASGISA as the centerpiece of the country's reform strategy, a new strategy was published. The NGP is the fourth government strategy in 17 years. The South African government has stressed that the NGP builds on earlier strategies and that it aims to restructure the South African economy with a focus on reducing socioeconomic inequality, creating "decent work" and fighting poverty. It envisions a particularly strong role for the state in identifying industries that will give the country a competitive edge and, importantly, will also be labor-absorbing and address the country's high unemployment levels. State strength will, however, be a critical factor, given the state's notorious weakness for implementation capacity. The government has announced its intention to strengthen measures which would ensure that affirmative action policies like BBBEE reach their targets.

The implementation of policy is often difficult and ineffective. On the one hand implementation deficits and red tape are the result of weak capacity and an overly politicized administration. Patronage and inappropriate implementation of BBBEE measures have contributed to a decline in administrative capacities because personnel have often been recruited for political reasons rather than on merit. Some provincial administrations, many local administrations and the Ministry of Home Affairs in particular are notorious for their lack of effectiveness; some analysts even speak of "systematic disorder." The quality of South African bureaucracy is below that of many Asian transformation countries. This is often overlooked in the discussions about South Africa's chances of becoming a "developmental state." On the other hand the bureaucracy is simply overburdened, given the shortage of skilled staff. Their task is not made any easier by a number of overambitious aims set by politicians. In general, the capacities of ministries, planning commissions and agencies vary and on average still exceed those of many administrations in sub-Saharan Africa.

In the first two years of its rule, the Zuma administration has had an ambivalent policy-learning record. One good example is its experience with HIV/AIDS policy. The Zuma administration has not continued Thabo Mbeki's policy of denial and has made the fight against HIV a policy priority. Zuma's speeches demonstrate a determination to fight the pandemic, although his personal lifestyle has in some instances contradicted the spirit of his policy pronouncements. With respect to BBBEE, the Zuma administration seems unwilling to learn from past errors. They have acknowledged the problems related to BBBEE, but there is a gap between public pronouncement and official conduct. Zuma's family members, in particular his son and his cousin, are becoming major beneficiaries of deals that have been brokered by government. Patronage, nepotism, and corruption in general, rather than BBBEE per se have become major issues under the Zuma presidency. There is a definite sense that governance ethics are slipping. Ideological beliefs and pressure

Implementation

7

Policy learning

6

from the left wing within the ANC explain the continuation of a problematic policy. There are also signs of a greater willingness on the government side to deal more seriously with the service delivery deficits and the problems of land reform.

## 15 | Resource Efficiency

Despite South Africa's macroeconomic discipline, significant inefficiencies still exist in the civil service. During 2010 most of the country's public parastatals were functioning without a permanently appointed CEO. Inefficiencies in entities such as Eskom, the country's electricity provider, and Transnet, the holding company responsible for rail transport, the national airline and the ports network, are keeping the country from reaching its full economic potential.

While significant amounts have been allocated nationally towards the country's infrastructure expenditure program, evidence suggests that in several instances these budgets have been underspent. Provinces are particularly poor in spending their capital budgets, and in 2010 only the Western Cape province managed to spend its full infrastructure budget allocation from central government. Most inefficiency, however, occurs at local government level, particularly in small municipalities, where weak capacity and rampant corruption put severe constraints on local development. Critics attribute this to weak oversight, and the way in which the ANC's cadre deployment policy has been perverted into a culture of patronage and nepotism. The problem of deploying ANC loyalists also became obvious when the battle for power between Mbeki and Zuma emerged. The civil service was clearly split between the candidates, which resulted in party battles being fought through public office. Most disconcertingly of all, the law enforcement and intelligence services actively participated in this battle. Arguably this exposed the country's national security and may explain why the country's national intelligence was caught completely off guard by the wave of xenophobia in 2008.

During the first quarter of 2011, the head of police intelligence was arrested for a crime that he allegedly committed more than a decade ago. This happened after he submitted an intelligence report to the president suggesting there was an internal party plot to eject Zuma from the party presidency in the same way that Mbeki was ejected. The same document allegedly implicated the current police commissioner as one of the co-conspirators and also accused the commissioner of corrupt practices in his home province of KwaZulu-Natal.

Ironically, while the country's macroeconomic management is exemplary, its ability to spend allocated funds efficiently is severely curtailed by incapacity, maladministration and the growing scourge of corruption at all levels of government.

Efficient use of  
assets

6

South Africa's total debt increased between 2005 and 2010 from \$31 billion to \$47 billion according to the EIU. During the global financial crisis the country did not inject additional stimulus packages into the economy, because the state had already embarked on a massive infrastructure expansion program, which included preparations for the 2010 World Cup. The state's tax collection capacity has increased, and shows regional imbalances between the provinces.

The main line of conflict within the administration runs between ministries and agencies headed by representatives from the ANC left wing and headed by representatives from its more conservative wing, which includes even some ex-communists such as the president of the Reserve Bank.

Policy  
coordination  
7

During the Mbeki era the country was run from the presidency through a cluster system and the treasury had a large degree of independence in shaping economic policy. The presidency and the treasury were able to prioritize and pursue their policies in the face of fierce resistance from the left. The only notable exception was the influence of COSATU on labor legislation. A major criticism leveled at the Mbeki administration was, however, that for all its plans, it was very weak in terms of its implementation capacity.

Against expectations, the Zuma administration increased the number of ministries within the presidency. The two most notable new ministries were the National Planning Commission, headed by ex-Finance Minister Trevor Manuel, and that of Monitoring and Evaluation, headed by Collins Chabane. A further new ministry, the Ministry for Economic Development, deals with the coordination of economic policy and is headed by former trade unionist Ebrahim Patel. This new configuration has taken away the exclusive economic policy and planning function of the national treasury and watered down the central role that Trevor Manuel previously played in these processes.

Given Zuma's pragmatic approach to politics, evident through his eternal balancing act between the different interests of the tripartite alliance stakeholders, he has far less autonomy in economic decision-making than his predecessor. As the left has received more cabinet posts than during the Mbeki era, policy coordination is now much more difficult. It is expected that frictions between departments and between departments and cabinet ministers and senior ANC party members with networks will increase. The causes for internal conflicts are not so much ideological as motivated by the quest for power.

Most analysts report an increase in perceptions of corruption in South Africa. Corruption in South Africa used to be not so much a daily problem ("petty corruption") but more present in higher circles of the administration and at a senior political level. Now local administration and services are increasingly affected. The most prominent case, which will linger with ANC politicians for many years to

Anti-corruption  
policy  
5



come, has been the arms deal saga. Evidence exists that European arms firms allegedly bribed a wide range of politicians in return for arms contracts. The scandal implicated the current president. The evidence against the president was, however, never tested in court after the case was dismissed before going to trial on technical grounds. While attempts are being made to address corruption at the local government level, prosecutions at higher bureaucratic and ministerial levels are less prevalent. A vigilant media does manage to publicize instances of alleged corruption. Some of these stories have been followed up with successful prosecutions.

The country's corruption-fighting ability has arguably been weakened by the disbandment of the Scorpions unit in the wake of the Zuma trial. Its successor, the Hawks, have less independence in terms of its prosecutorial powers, and rely on the South African police. A recent Constitutional Court judgment ruled that both the disbandment of the Scorpions and the structure of the Hawks were unconstitutional. The court has given parliament 18 months to amend legislation and bring the Hawks into line with the requirements of a more independent corruption-fighting unit.

There are still deficits in legislation on party funding. South Africa is one of few African countries where political parties are financed by the state. But private funding is almost completely unregulated and uncontrolled. Parties do not have to disclose the donations they receive. The ANC has created special fundraising organizations to cope with financial constraints. The party also receives money from "fellow" parties (for example from China). Recent scandals have created the image of the ANC as a check-book party. Business representatives, especially those from parastatals and black-owned businesses, have privileged access to cabinet ministers through the ANC's Progressive Business Forum. The forum organizes gala dinners where donors can meet ministers, at a price, in their capacity as ANC representatives. Despite many discussions, political parties including the ANC remain unwilling to introduce clear regulations.

## 16 | Consensus-Building

All relevant actors support democratic and market economic principles. The experience of apartheid has led to strong support given to individual liberties. Despite this broad consensus regarding democratic and a market economic norms, actors differ on the concrete forms thereof and policies supporting democracy and a market economy. There is some enthusiasm on the left in particular for the concept of a participatory democracy and less support for political institutions. The left also advocates that the state play a stronger role in economic matters and demands, from time to time, the nationalization of industries such as the mining sector. The ongoing discussion on whether South Africa can become a "developmental state"

Consensus on goals

8

reveals the lack of consensus as to what this would mean and could strengthen sympathies for authoritarian paths of development.

The government has shown pragmatism in formulating policies. Indeed, both the government and trade unions are trying to identify the country's labor-intensive industries that could give the country an edge in global competition. These industries will be given priority and create incentives for further development.

There are no openly anti-democratic actors in South Africa. As noted under "consensus on goals," differences are limited to disagreements about the appropriate model of democracy for South Africa. Radical forces within the ANC draw attention only sporadically and have no real influence. There are a few anti-democratic activists in the new social movements, but they have no influence on larger segments of society.

Anti-democratic  
actors  
8

All governments since 1994 have tried to prevent the deeply rooted social and racial conflicts from escalating. They actively foster the creation of a new South African identity through re-distributional politics and a wide range of social policy measures and reconciliation projects, such as efforts to create social responsibility and solidarity ("ubuntu"). However, sometimes a more pronounced policy against populist and demagogic rhetoric fueling conflict would be necessary. For example, the president and most senior ANC politicians may be too tolerant of the potentially damaging populist rhetoric of Julius Malema, the former president of the ANC Youth League (ANYL). Currently, Malema is on trial for hate speech charges. In contrast to former President Mbeki, President Zuma acts more as a mediator and pacifier for South African society. President Mbeki instrumentalized the liberation struggle rhetoric and Africanist concepts and contributed - willingly or not - to dividing the young nation further.

Cleavage /  
conflict  
management  
7

Crime and violent protest, both symptoms of high poverty and inequality levels, will continue to test the conflict management capacity of the Zuma administration. A worrying aspect of this administration is the increasing levels of police brutality in the treatment of protesters and suspected criminals. Legislation is currently before parliament that would give the Independent Complaints Directorate more powers to investigate such cases.

South African civil society was to a large extent disorientated in the immediate wake of the 1994 elections. Most of their activity was aimed at either opposing government, representing the marginalized or delivering services to those without access because of their skin color. With the abolishment of apartheid, civil society actors therefore had to rethink their strategies and relationship to government now that the progressive forces were in power. Another complicating factor was that many of the civil society leaders were co-opted into government positions, which created a dearth in management and leadership capacity.

Civil society  
participation  
6

At the same time, the government more or less expected a progressive civil society to not oppose it, but rather work with it and help implement the government's development programs. While some civil society organizations and actors have done this, specifically those in the health and social development sectors, many others have resisted this expectation and maintained their critical distance from government, albeit without opposing all its proposals in principle. Several formal civil society organizations are currently actively engaged in development issues, such as basic income grants, education, and HIV/AIDS. Many civil society institutions are, however, strapped for resources (several are survivalist by nature) and do not have the capacity to engage with government at the policy level. Opportunities to engage with the government are also largely limited to national and provincial parliamentary submissions, but given the relatively weak position of parliament vis-a-vis the executive, the amount of genuine influence civil society organizations have, even with access to the legislatures, is questionable.

Given its alliance with the ANC, COSATU does wield significant influence over labor legislation. Several COSATU leaders also hold positions in the government and the ANC as a party.

To cope with the massive human rights violations of the apartheid regime and, to a minor extent, with the violence from the liberation movements, a Truth and Reconciliation Commission (TRC) was established. The work of the TRC became a model for many other countries. The TRC, chaired by former archbishop and Nobel laureate Desmond Tutu, won a high profile in South Africa. Despite some shortcomings (e.g., its limited time historical mandate and insufficient compensation to victims) its message that apartheid was a crime became widely accepted and pre-empted nostalgic sentiments from emerging. Research indicates that at the time of its work, the TRC might have led to polarization between different population groups, but, arguably, the long-term effects may contribute to reconciliation as a foundation upon which South African society at large can build and thereby foster democratic consolidation.

Reconciliation  
8

## 17 | International Cooperation

According to World Bank figures, South Africa's ODA stood at nearly \$22 per capita in 2009. Compared to most developing countries, this is a rather low figure. The country is only to a negligible degree dependent on foreign aid and donors have only limited influence. Donor agencies are active in several ways, including measures battling the spread of HIV/AIDS, poverty reduction, education and capacity building. These measures are integrated or coordinated with national

Effective use of  
support  
8

programs. The South African government uses foreign support for its development goals. External advice is in general welcomed but not always accepted by a self-confident government.

South Africa is in a very comfortable position with respect to international partners and organizations. The international community regards the country as a strategic partner and as a representative voice of Africa. It is often named as a potential permanent African member of the U.N. Security Council and has been a temporary member on two occasions during the past five years. It also occupies strategic positions in debates involving the development of emerging economies vis-a-vis the developed world in forums such as the World Trade Organization and global climate talks. Western powers have no alternative for cooperation with African countries, except probably Nigeria. The country enjoys high credibility and has recently also become a member of the BRICS countries, which include the emerging economies of Brazil, India, China and Russia. The international community is reluctant to publicly criticize the country although its HIV policy was for some time regarded as a catastrophe and high-level corruption cases were seen as a threat for the country's stability. The low levels of confidence in the Zuma government at the beginning of his administration have improved as a result of its predictable policies. Confidence in economic matters is weaker. Foreign investors are reluctant to invest and the global financial crisis also had a negative impact on investment.

Credibility

8

Since 1999, South Africa has become the major driver of African regional and continent-wide integration. Under the Mbeki administration, the country played a key role in forming the New Partnership for Africa's Development (NEPAD) and the launching the Africa Union (AU) the successor of the infamous Organization of African Unity. South Africa supports regional and international organizations financially and with peacekeeping troops.

Regional  
cooperation

8

The country is a member of most international organizations, including in the prestigious G-20 group. Initially, President Zuma was less preoccupied with foreign policy and South Africa's role in African integration, but this has changed during 2010. The country remains reticent to sign a regional economic partnership agreement with the European Commission, arguing that in its present form it may become an obstacle to regional integration within Southern Africa and particularly to the Southern African Customs Union, of which it is the largest member.

Given the domestic political constraints, the general sense of suspicion with which it is still being viewed as the largest economic power in Africa, and limited military resources of the country, expectations of South Africa as a continental leader or even hegemon might be exaggerated. The Zuma administration has thus far also contributed little to the ongoing political crisis in neighboring Zimbabwe. Some observers have criticized it for its lack of focus in this regard. Zuma's attempted

intervention to resolve the conflict in Cote d'Ivoire was also unsuccessful. To date, the South African government has also proved unable to formulate a clear position on the revolutions in North Africa, although President Zuma was part of an African Union mediation team that visited Libya to try and resolve the impasse in that country.

## Strategic Outlook

Eighteen years after its first democratic elections, South Africa remains on the road to democratic consolidation. But it is a bumpy road with developmental or structural challenges ahead. The future of South Africa largely depends on how the country manages the following challenges and tasks:

- Create jobs, in particular for youth (50% of those aged 20 to 24 are unemployed), and reduce a dangerously high unemployment rate that threatens political and social stability;
- Improve and reform the educational system in order to meet economic demands and create opportunities;
- Combat crime and corruption;
- Fight the effects of HIV and provide for the infected;
- Improve service delivery in sectors such as health, housing and basic services by increasing efficiency within the public sector;
- Foster a new, non-racial common identity.

South Africa has more resources to address these challenges than do most other African countries. The ANC's overwhelming majority support in government provided it (theoretically) with the political leverage to address these problems. But successful policy demands not only political will and commitment, but good and effective governance. Having consolidated his position, President Zuma might run for a second term in 2014. The upcoming local elections scheduled for May 2011 will reveal whether the government enjoys credibility and support for the announced improvement in the field of service delivery. The government has announced it considers reforms to the educational sector and in service delivery as top priorities. Should these reforms materialize, this would signal a major improvement. But it remains to be seen whether the president's practice of "rewarding" different alliance partners for their loyalty will facilitate the government's longer-term ability to deliver on its development mandate. President Zuma may be too much of a pragmatist and not enough of a "doer." Given Zuma's personal history, loyalties and networks within the ANC, it is hard to see the government intensifying the fight against corruption and patronage.

Most scenarios discussed regarding South Africa's future take a clear ANC majority as a starting point. A group of 33 well-respected South Africans have in recent years developed three possible scenarios for the country, commonly referred to as the Dinokeng scenarios, in which political, economic and social preconditions for an effective and democratic state are delineated. The "Walk Apart Scenario" foresees a negative path in the light of structural challenges that are not

adequately addressed and will eventually see government losing support. The “Walk Behind Scenario” paints a picture in which the state takes the lead in the absence of broad-based development being achieved. The positive “Walk Together Scenario” envisages a new social pact that includes an active citizenry. The message of the scenarios, which cannot be described in detail here, is that the South African government, and the state in general, is in danger of losing legitimacy in the eyes of the masses if serious developmental reforms are not implemented.

External support should focus on the following four areas:

1. Strengthening the cooperative governance structures between the national government and provinces. Statements by senior ANC members calling for an end to or reconfiguration of the dysfunctional province administration are clearly politically motivated and driven by a desire to “regain” the Western Cape Province, but the provincial administration does need to be more effective.
2. Reforming party funding practices. Private funding is currently not subject to oversight and should be regulated. Donors and civil society organizations should lobby the government more strongly for already existing reform plans.
3. Reforming the electoral system. The closed proportional representative system gives party elites tremendous power over the party by allowing them to nominate candidates. A new system should aim at strengthening the role of members of parliament by introducing constituencies. The German system could be a model for South Africa.
4. Empowering civil society and the private sector. A more systematic incorporation of independent, private actors in proposing and implementing government policy is necessary.
5. Improving government efficiency by training bureaucrats at the local government level.

Given past experiences, it is questionable whether the government will consider advice that could entail it ceding some forms of power.