

BTI 2014 | South Africa Country Report

Status Index	1-10	7.13	# 28 of 129	
Political Transformation	1-10	7.50	# 29 of 129	➔
Economic Transformation	1-10	6.75	# 34 of 129	➔
Management Index	1-10	6.09	# 31 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	51.2	HDI	0.629	GDP p.c.	\$	11440.4
Pop. growth ¹	% p.a.	1.2	HDI rank of 187	121	Gini Index		63.1
Life expectancy	years	55.3	UN Education Index	0.705	Poverty ³	%	31.3
Urban population	%	62.4	Gender inequality ²	0.462	Aid per capita	\$	26.8

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. 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 the first two years of President Jacob Zuma's term in office. The next general elections in South Africa will take place during the first third of 2014. At the time of writing, it appears that Zuma will once again be the ruling party's presidential nominee because the president is elected by parliament, there are no real presidential candidates. While his performance in national governance has been weak (and controversial at best), he has succeeded in keeping the heterogeneous African National Congress (ANC) movement together, despite growing tensions within the tripartite alliance in the run-up to its national conference at the end of 2012, and the polarizing role that some individuals, such as Julius Malema, have played within it. While some tensions persist along ideological lines, the major fissures within the movement, and the broader alliance, has had little to do with ideology. Increasingly factionalism, related to patronage, has led to alliances that have spanned across ideological divides. In other words, traditional ideological differences, in which economic conservatives in the business sector would support nationalization of mines while communists would dismiss it as opportunistic, no longer apply. An analysis of South African politics, therefore, increasingly requires knowledge about the power players and their interconnectedness of capital. According to a recent report by the South African Auditor-General, most impropriety and inefficiencies at the local government level occur as a result of competition for resources within, and not between, political parties. In policymaking, the negative effects of this scenario are obvious: policy- and decision-making is characterized by inertia and compromises that water down policy.

The last party congress in Mangaung (formerly Bloemfontein) confirmed Zuma's leadership, as he received over 70% of the votes from the 4,000 delegates. His opponent, Vice-President Kgalema Motlante, declared that he would not run for his position again, which opened the door for former trade unionist, turned successful businessman, Cyril Ramaphosa, to be elected deputy president of the ANC and enter the political stage after a long absence from politics. The eloquent and astute Ramaphosa is widely respected because of the critical role he played in the country's

transitional negotiations in the 1990's. While many hoped that he would replace the 70-year old Zuma, who has been tainted by several controversies around his personal life and expenditure of public funds, this seems unlikely. Given the important role that factionalism has come to play within the alliance, it is doubtful in any case whether Ramaphosa would be able to be "his own man" if ever elected to the country's highest office.

In 2012, the ANC celebrated its 100th anniversary, and its supporters and 1.2 million members expressed much pride in the history of the party (or "movement" as supporters choose to refer to it). While there was much cause for celebration, the occasion also forced introspection about factors that have come to detract from the ANC's legacy. Increasingly it has had to defend itself against charges of corruption, nepotism and patronage, driven by factionalism. Critics have also suggested that the ANC's obsession with internal politics has come at the cost of governance. During the period under review there were several instances in which factionalism spilled over into the national bureaucracy, preventing the affected institutions from delivering on their respective mandates.

Against this backdrop, protests have proliferated, mainly over insufficient local government service delivery. Although the ANC is not solely responsible for stalled development – much should be attributed to the legacy of apartheid – corruption, maladministration, poor skills sets, and particularly, power struggles have certainly served to exacerbate the plight of poor South Africans. Populist elements within the ANC, such as Julius Malema, the ousted President of the ANC Youth League, have tried to benefit from widespread dissatisfaction with the party in government. While the party eventually ousted Malema, who was charged with tax evasion, questions should be raised as to why the party tolerated his polarizing actions for such a long time.

While the ANC is likely to remain in power after the 2014 election with a comfortable victory, this margin may decrease as a result of support to the Democratic Alliance (DA), which controls the Western Cape Province. The party has made steady gains in recent years, most recently in the 2011 local elections. Although the ANC again obtained an easy victory by garnering 60% of the vote, the DA's share increased to 24%. Up to now, some analysts have argued that the DA's support has come from usurping the vote of smaller minority parties, but its share of the black vote has also been increasing. This is an area of concern for the ANC, and dipping below the margin of 60% during the next general election would be a significant blow for the party.

In economic terms, South Africa started a slow recovery from the global financial and economic crisis. The period under review was characterized by moderate growth, but high levels of unemployment remained. According to the country's Fourth Quarter Labor Force Survey of 2012, the official unemployment figure stands at 25.5%, but if the extended definition of unemployment (including those who have given up looking for work) is used, the rate increases to over 30%. Most worrisome in this regard is that, according to the same survey, 71% of the working age population is younger than 35.

Despite massive budget allocations toward education, the quality of education remains poor in many schools located in the poorest parts of the country. This can be attributed to weak planning

and management, poor training of teachers, but also to the destabilizing influence of the country's largest teachers union, the SA Democratic Teachers Union (Sadtu), which has crippled the school system at the worst possible times: before and during national exams.

Youth unemployment, linked to weak training and prohibitive labor legislation, is therefore a critical problem, and serves to entrench existing patterns of poverty and inequality. The government would need to make a concerted effort to address this problem.

With social commitment and political will, the government is indeed capable of implementing important programs. The fight against HIV/AIDS offers a case in point. Faced with HIV rates of apocalyptic proportions in the previous decade, the country embarked on the most expansive antiretroviral (ARV) drug program in the world. As a result, HIV rates have started to decrease.

As far as macroeconomic policy is concerned, the government has retained its orthodox counter-cyclical approach to budgeting. However, in recent years, following the global economic downturn, the treasury's fiscal space has become increasingly limited. As a result, it had to borrow more and debt-servicing costs have become the fastest growing budget line item. During the past two years, the budget deficit has continued to grow and is expected to reach 5.2% for the 2012 – 2013 budget year. Debt as a proportion of GDP still remains at a manageable 38%, which is lower than most countries at the same developmental stage. Still, this figure is close to a double the figure in 2008 of 23%. The current account deficit of 6% also remains cause for concern, while the country, understandably, has to import significant volumes of capital equipment for its infrastructure reinvestment program. Meanwhile, exports have been sluggish. Social unrest, which has affected mineral exports, has also played a role in this regard.

History and Characteristics of Transformation

The Union of South Africa came into being in 1910 with the amalgamation of the separate British Colonies of the Cape, Natal, Orange Free State and Transvaal. In 1961, it became a republic after it was ejected from the British Commonwealth. Until 1994 it remained a race-based democracy, where the voting franchise was reserved for white South Africans, while black South Africans remained disenfranchised from the vote and victims of segregation and the denial of basic human rights. The negotiated (“pacted”) transition to democracy began in 1990 and led – after a difficult period of immense violence and uncertainty about the country's future – to the founding elections of 1994. The former liberation movement, the African National Congress, took power with the election of Nelson Mandela.

Despite South Africa's flaws, it is one of the rare success stories on the African continent. Most notably, the country has made huge progress on the path to democratic consolidation since 1994. Still, the pathway to transformation is long. Today's deeply divided and segregated society is the legacy of hundreds of years of discrimination and the apartheid period (from 1948 – 1994). Now, to create, or at least foster a new South African nation, the remaining task is to mitigate social

inequalities – with a focus on the unemployed and marginalized groups – and find a common identity for all groups to overcome the divisions of the past. Steps to transformation include the following: the establishment of representative and efficient political institutions; the economic reform of a country that was weakened by sanctions and international isolation; overcoming huge social inequalities; 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.

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, are imperative. Domestic reforms toward redistribution, and the promotion of greater economic access to marginalized South Africans, have to occur within the prescriptions of fiscal discipline.

The government has maintained a high level of support among the electorate despite public disillusionment regarding the leadership's poor record in bringing about much-needed development, and popular skepticism toward the democratic institutions responsible for reforms. The ANC has won all four democratic elections with a comfortable majority of over 60% of the total vote, although voter participation has declined. South Africa has a dominant party system.

Economic development after 1994 proceeded through different phases. After a period of relatively modest growth, the years up to 2008 saw a flourishing economy with the highest growth rates in South Africa in the last two decades. The country was hard hit by the global financial crisis, but since 2010 is back on a path of recovery with modest growth between 2.5-3%.

The first black government under President Mandela's leadership introduced the Reconstruction and Development Program (RDP) in 1994. This comprehensive program focused on improvements in meeting basic needs, fostering human resources and establishing a social welfare system. The program was replaced by the Growth, Employment and Redistribution Program (GEAR). 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, and the Congress of South African Trade Unions (COSATU) and the South African Communist Party (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. Owing to government inertia and the lack of efficiency of programs, however, the HIV/AIDS pandemic remained one of its biggest challenges with over 5 million infected.

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 the state to promote social development.

The general path of economic and fiscal policy, combined with former President Thabo Mbeki's centralist style of leadership, was rejected by the alliance partners and by some ANC factions. Growing 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 that Mbeki's supporters within the ANC conducted against him. To date, the President Zuma has been successful in managing the alliance and different wings within the ANC.

The ANC is still 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 violent unrest characterized by arson, intimidation and the destruction of public and private property, have sporadically broken out and increased in recent years.

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 material conditions have improved for the majority of South Africans, though research studies have found that levels of inequality have not declined substantially. Indeed, despite efforts by the government to mitigate income disparities, South Africa continues to have high income inequality when measured in terms of its Gini coefficient, which increased from 0.67 in 1994 to 0.70 in 2008, as reported by the Institute for Justice and Reconciliation in 2012. Although international sources see a decline in the Gini index, South African research leaves little doubt about an increase. It is noteworthy that 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 people are employed out of a potential labor market of about 31 million. Roughly 5 million South Africans earn enough to pay taxes, which illustrates how acute income inequality remains in South Africa.

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, a partly dysfunctional educational system, 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 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

The South African state enjoys legitimacy among the population. There are no serious threats to the state's monopoly on the use of force. Levels of violent crime remain high, but have dropped considerably over the past two decades. Most significantly, homicide rates went down from 67 per 100,000 people in 1994, to 32 per 100,000 for the year 2011/12 – a decrease of 54%. This may partially have to do with a more effective police force, which has also become increasingly forceful (some would argue excessively so in the wake of a rapid rise in reported cases of police brutality), but also due to the exponential growth of the private security industry, which outnumbers the size of the South African Police Service (SAPS) by almost 4 to 1.

Monopoly on the
use of force

7

It is worth noting that as in many African states, border controls are too weak to stop illegal immigration, in particular from Zimbabwe and Mozambique.

Today the democratic dispensation enjoys legitimacy among the overwhelming majority of South Africans. Only a very few small groups from the political right of the white population still dream of their own state. The political relevance of these groups has diminished over the last decade. Due to the historical experience with the apartheid system, the constitution acknowledges the country's apartheid past and therefore prohibits any form of discrimination. Although discrimination still occurs, it is not condoned by the state as previously. The greatest schism that divides the country and entrenches social exclusion is economic inequality. With a Gini coefficient of 0.70, the country is one of the most unequal emerging economies in the world. While such inequality is still largely drawn along racial lines, the middle and upper strata of society is becoming increasingly integrated. Xenophobia, particularly toward immigrants from other African states, remains a problematic feature of society, given that their states of origin often provided protection to the country's liberation movements during the apartheid era.

State identity

8

South Africa is a secular state, with a very religious population and all major global faiths represented. Christianity is the most predominant and includes established international denominations, such as Catholicism; forms of Christianity, which have been fused with traditional African belief systems; and Pentecostal churches, which have experienced considerable growth in recent years. As such, conservative values are pervasive in society, although the country's constitution is remarkably liberal and provides for the legalization of abortion, gay marriage and the abolition of the death penalty. Church and state remains separated and religious dogma does not impact on governance. However, this separation has not stopped politicians from exploiting the religious nature of society for electoral gain. President Jacob Zuma, for example, has on different occasions remarked that "the ANC will rule until Jesus Christ returns" and that if he could vote, he would vote for the ANC.

No interference of religious dogmas
9

There are three levels of the administration covering the entire territory: national, provincial and local municipalities. The quality of administrative bodies varies considerably, with capacity generally declining from the highest to the lowest levels of government. Major technical and managerial skill shortages exist and have an impact on efficiency with which various levels of government execute their mandate. In addition, corruption, nepotism, and maladministration, which drain state coffers, are causes for great concern. In 2012, for example, only 13 of the country's 343 municipalities received clean audits. Such bad management has resulted in below-standard governance, and translated into weak service delivery. The growing number of angry protests by citizens in response to poor governance has only been countered by increasingly heavy-handed action by the South African, and complaints of police brutality have seen a significant rise.

Basic administration
7

2 | Political Participation

Elections in South Africa are organized by the Independent Electoral Commission (IEC). Shortcomings in terms of electoral management have been minimal (e.g. late opening of polling stations) and without any noticeable effect on the electoral results. As such, all elections up to date could be described as free and fair. The last parliamentary elections took place in 2009. Again, the ANC secured a comfortable majority of 65.9% of the vote and a total of 264 seats in the National Assembly, missing the two-thirds majority of parliamentary seats by only one seat. Concerning campaign-financing, the ruling party has logistical advantages in terms of funding and access to the public broadcaster, which has often been accused of being captive to the interests of the ruling party. South African law does not require the publication of private party donations. Both the ruling party and the Democratic Alliance (DA), the official opposition, have been slow to promote more transparency in this regard.

Free and fair elections
8

All in all, though, democratic elections have become the status quo in South Africa. In the period under review, the only elections that took place were local elections.

The local and municipal elections in May 2011 once again saw ANC victories in the majority of local governments, although the DA did manage to make some inroads into ANC support. Although the ruling party won 62% of the votes, it did amount to a 4% loss compared to previous elections. Meanwhile, the DA nearly doubled its share of the vote to 23.9%. Most of the smaller parties lost votes and seats in the local councils and seemed to point to a growing trend toward a two-party system. The elections were much more peaceful than ever before and their democratic character unquestionable.

The political leaders in South Africa are democratically-elected. They are no social or professional groups with a veto in decision-making. The South Africa Defense Forces (SADF) do not interfere in politics.

Effective power to govern
8

The only de jure veto power exists in the tripartite alliance of the ANC, the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP). Deployment, patronage and nepotism on the part of politicians and senior bureaucrats has hindered democracy, sometimes prioritizing personal agendas of that are not in line with the objectives of the state. The ANC remains the most dominant party by far, and its party headquarters, "Luthulli House," exerts a strong influence on ANC-aligned officials and legislators. COSATU, as the largest labor federation, is able to flex its muscle through its powerful worker constituency and its organizational capacity. In addition, the SACP, though small, exerts disproportionate influence within the alliance, in provincial politics and in policy formulation in general. But the decision by the Constitutional Court in October 2012, to strengthen the right of individual members of parliament vis-a-vis the party in parliament and the portfolio committees, may reduce the power of the party.

The constitution guarantees the rights to form associations and to assemble in Articles 17 and 18. South Africans actively use their right to protest, and in recent years there has been a surge in protests, particularly in response to weak service delivery at the local government level. In general, these rights are respected, but complaints against excessive police force has have been on the rise. Such complaints have to be viewed against the growing intensity of protest action, and the proliferation in the number of illegal, so-called wildcat strikes. The "Marikana massacre" in August 2012 was one such extreme case, where police shot and killed 34 miners who were on an illegal strike.

Association / assembly rights
8

The constitution guarantees free speech and freedom of the media. In 2010, the government introduced the controversial Protection of State Information Bill, which aimed to improve regulation and classification of state information. In its initial form, it severely limited the rights of whistleblowers and journalists, imposing prison sentences of up to 25 years for leaking or even just being in possession of classified information. The bill was met with fierce opposition from civil society and the media amid concerns about the implications it may have on exposing the growing scourge

Freedom of expression
8

of corruption. After intense lobbying under the umbrella of the Right2Know campaign, a watered down version of the bill was adopted in the lower house of parliament, the National Assembly in 2011, and in the upper house, the National Council of Provinces in 2012, after more amendments. The bill has been referred back to the National Assembly for discussion of the changes proposed by the National Council of the Provinces (NCOP). Although the public has acknowledged the improvements the media made via the Right2Know campaign, which also counted on the support of COSATU, public survey data on South Africans' opinion toward the media offers a mixed picture. According to the latest Afrobarometer survey, a substantial proportion of South Africans do not share the fears of media restriction. In 2011, 34% said they believed that the government should be able to prevent the media from publishing harmful material. In 2008, only 16% were in favor of this media restriction. Although 70% said the media should investigate and report on government corruption, only 61% (2008: 80%) believed that the media has the right to publish without government control.

3 | Rule of Law

The South African Constitution outlines a clear separation of powers. The legislative branch consists of a two-chamber parliament, the National Assembly and the National Council of Provinces (NCOP), representing the nine provinces created in 1994. Of the 400 seats in the National Assembly, half are elected by national party lists and 200 via provincial party lists on a proportional basis without a threshold for parties to be represented in parliament. Parliament only plays a limited role via a strong executive. The ANC enforces strict party discipline and the overwhelming majority of the ANC makes it difficult for the opposition party to control the executive and fulfill its oversight function. Since the ANC governs eight provinces, the NCOP as an oversight body is relatively weak.

The president, elected by parliament, has extensive powers. The judicial branch is the Constitutional Court, formed along the German model of a constitutional court. With the introduction of the Constitutional Court, the supremacy of the constitution replaced the former supremacy of parliament. The court is a veto player in the country's governance dispensation. On a number of occasions it has overturned executive decisions, such as the regulations governing a new anti-corruption body, and has been compelled to act in other instances, such as in support of the provisions of basic housing and antiretroviral drugs for those infected with HIV/AIDS. Most recently it has also ruled that parliament should allow individual members of parliament to initiate legislation. While the assertiveness of the courts is a positive characteristic, it can be argued that many of these legal disputes could have been settled within legislatures, were it not for the weakness of the parliamentary opposition. As a result, opposition parties' frequent use of the court system has put it

Separation of
powers
7

under significant pressure, not least from the ruling party. Several senior ANC members have suggested that the courts may be overstepping their mandate and are obstructing the ANC's social transformation mandate. President Zuma went so far as to suggest a review of the powers of the courts, but was repudiated by his minister of justice, who suggested that government should study the Constitutional Court's jurisprudence to date to establish improved interaction between the judiciary and the executive. In addition to these debates about the powers of the courts, it is still criticized by some as being too white and obstructionist of transformation goals.

It is worth noting here that the work of the executive has been hampered by the deployment of ANC loyalists throughout the public administration. Prioritizing loyalty above skill, critics argue, has resulted in nepotism and the creation of complex patronage networks. This practice also extends to the so-called Chapter 9 institutions, which have been created to protect the constitution. One notable exception has been the current Public Protector, Thuli Madonsela. In contrast to her predecessor, who had been loath to investigate claims against highly-placed politicians, she has on several occasions raised the ire of some in the ruling party by investigating maladministration at the highest level.

There is no direct interference by the government in the highly differentiated and mostly effective South African judiciary. The constitution states that judges, including those of the Constitutional Court, are appointed by the president in consultation with the Judicial Service Commission (JSC). The JSC consists of judges, legal experts and members from both houses of parliament. The judiciary and especially judges are protected by the constitution. This includes protection from arbitrary removal from office, security of tenure, and a guarantee against the reduction of salaries by the government.

Independent
judiciary
9

Debates about the necessity of a transformation of the judiciary in the process of the "national democratic revolution" has occasionally raised fears about the independence of the judiciary. So far, these fears have not been materialized. As indicated above, the ANC announced the appointment of a panel to review the judgments of the Constitutional Court in 2012. This announcement has raised fears that the executive will try to limit the court's powers. Against this background, the relations between the executive and judicial branch of the government is becoming tense. However, for the moment the judiciary remains free from external influence.

South Africa possesses a comprehensive set of laws and regulations to prevent corruption and prosecute offenders. However, the state's commitment to do so evenhandedly is highly questionable given widespread accusations of selective prosecutions, largely to eliminate political opposition, and government meddling in cases against its own. The most prominent case so far has been the so-called arms deal scandal, which involves allegations that prominent politicians, including the President Zuma, received kickbacks from European arms companies in return for the

Prosecution of
office abuse
6

procurement of their weapons systems. Suspiciously, the government and the ANC meddled in the case in order to postpone and mitigate the proceedings, which are still underway. In order to avert a court-appointed investigation, the government appointed its own judicial commission in 2011. Many are skeptical about the independence and mandate of the commission, which is due to start its hearings in 2013. But apart from this major case, corruption has become endemic throughout the governance system, but particularly at local government level. Much of this has taken the form of pay-offs in return for inflated government tenders, giving rise to what has colloquially become known as “tenderpreneurship.” Meanwhile, government crime-fighting agencies remain relatively weak, and thus unable to fully execute their mandate. The effective independent anti-corruption unit, the Scorpions, was disbanded shortly after Zuma came to power, allegedly as a reprisal for the role that this unit played in pressing charges against Zuma in an arms deal-related court case. The Constitutional Court ruled that its replacement, The Hawks, was not constituted properly and not sufficiently independent. At the time of writing, the Special Crimes Investigating Unit (SIU) has been operating without a permanent head for over two years, and during the past five years, only one police commissioner was convicted for corruption and another was relieved of his duties after the Public Protector found irregularities in his procurement of a new police headquarters.

Legislation, such as the Protected Disclosures Act of 2000, is on the books to protect whistleblowers and critical journalists, who are victimized or branded as enemies of the state by politicians and officials accused of corruption. In practice, protection is limited, and if the Protection of State Information Bill is passed in its current form, it will become even more difficult to hold politicians accountable when the law is violated.

The legacy of apartheid’s systematic violation of civil rights provided the impetus for a progressive and detailed Bill of Rights in the constitution. To ensure their protection, monitoring, and implementation, it also provided for a series of institutions to exercise this mandate. Named “Chapter 9 institutions” after the constitutional chapter that provides for their creation, these include the South African Human Rights Commission (SAHRC), the Commission for Gender Equality, the Auditor-General, the Public Protector (ombudsman), the Electoral Commission and the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities. Yet these institutions have a mixed record in carrying out their mandate. Some of them are hampered by resource constraints and by a lack of political will to confront powerful stakeholders accused of wrongdoing. Others, like the Public Protector, the Auditor-General, and the Independent Electoral Commission, maintain a high profile and their actions generally have consequences for the government.

Civil rights are generally respected and upheld by the judiciary. In recent years, however, reports of arbitrary arrest, police brutality, indecent treatment of prisoners

Civil rights

7

in custody, and heavy-handed action against illegal migrants have increased. Thus far, the government has struggled to change public perceptions regarding its civil rights record. Its own pronouncements, such as that of a former police minister and general to “shoot to kill” has not been helpful in this regard. The ANC government tabled a General Intelligence Laws Amendment Bill in 2011. The bill seeks to consolidate the country’s different intelligence agencies in one department, headed by one director-general. The law has not been passed by parliament, however, and is still pending.

4 | Stability of Democratic Institutions

South Africa’s democratic institutions perform their functions along constitutionally defined lines. Although the ruling party, through its overwhelming electoral majority, dominates the executive, it does not violate democratic rules. However, there is a blurring of lines between the state and party. The two-chamber parliament has a relatively weak position vis-a-vis the executive. This is largely the case because of the ANC’s dominance in parliament, and the fact that members of parliament are appointed in terms of a proportional representation system. In practice, this means that members of parliament, who are not directly elected, owe their loyalty to the party first and the electorate second. Regarding the performance of regional and local administrations, it is uneven. Poor provinces and local governments are struggling to fulfill their mandates due to a lack of skilled personnel, red tape, growing patronage and institutional checks that are simply ignored or bypassed. In some parts of the country, local government has collapsed, requiring central government intervention.

The judiciary is professional and independent, but suffers from a large case load. The Constitutional Court fulfills its tasks and has not turned away from calling the ruling party to account.

The ensemble of democratic institutions is accepted by the relevant political actors. The military does not intervene in politics. The judiciary, and the Constitutional Court in particular, have on occasion come under pressure from the executive for supposedly encroaching on the executive’s mandate. Such tensions have arisen in the wake of several court cases in which the Constitutional Court ruled against executive action and ordered government to amend its stance to be in line with the constitution. These tensions should be regarded as part of the growing pains of a young democratic state in which the clear demarcation of competencies and responsibilities need to be further entrenched through practice. Critical statements about the role of the court have thus far neither led to the curtailment of its powers, nor noticeable changes in the direction of decisions.

Performance of
democratic
institutions

7

Commitment to
democratic
institutions

7

5 | Political and Social Integration

South Africa can be classified as a dominant party system. It has undoubtedly enjoyed a high degree of stability since 1994 when it had its first democratic elections. Since then, the ANC has consistently managed to garner more than 60% of the vote in successive parliamentary elections. In the last elections, the party won 65.9% of the vote, winning 264 parliamentary seats and narrowly missing a two-thirds majority. The ANC's power compared to the second strongest party (Democratic Alliance, DA) is huge: The DA received just 16.6% of the total vote and won 67 seats. Party identification to the ANC as a former liberation movement is strong. In 2010 – 2011, 44% of the respondents in an Afrobarometer survey felt close to the ANC, compared to only 10% to the DA.

A number of smaller parties exist, but none of these, either on the left or the right are extremist in nature. While the Freedom Front Plus pursues the objective of Afrikaner self-determination, it can hardly be described as radical and continues to pursue this objective through existing democratic institutions.

Since the 2011 local government elections, all signs have indicated that the country is increasingly moving toward a two-party system, with the ANC on the one side and the DA on the other. While some have suggested that the DA may have reached a “glass ceiling” in terms of its perceived inability to attract voters beyond its white constituency, it would be difficult to state such an assertion in categorical terms. The 2011, local elections pointed to slow but steady gains in black support for the party.

Prior to the 2009 general elections, expectations were high for the Congress of the People (COPE), a breakaway party from the ANC, but after brutal internal party struggles, it only managed to draw 7.4% of the vote and 30 seats.

In early 2013, Dr. Mamphela Ramphele, the well-known academic, anti-apartheid activist, former director of the World Bank, and current businesswoman, signaled her intention to enter party politics. The political platform that she created, Agang (meaning “to build”), will serve as a consultation forum in preparation for her participation in the 2014 national elections. At the time of writing, the Agang policy orientations remain vague, but will probably become clearer as the election approaches.

While party support still largely reflects racially distinct patterns of voting, it is difficult to conclude that voting is racialized, as opposed to a reflection of class preferences, because class and race largely overlap. This may change as new alliances arise, particularly those that will aim to attract the middle class, which is the most integrated. Another factor that may play a role is demographic change. A new generation of young South Africans, born just before and after the political transition,

Party system
8

is becoming politically active. In 2012, young South Africans who were born in 1994, the year of democratization, turned 18, the voting age.

Since 1994 voter abstention has been increasing, which may either be a sign of democratic normalization or disillusion with the system's ability to address huge development challenges. In 2014, political parties are expected to go all out to attract young voters (according to the most recent census, two third of the country's population is younger than 35).

As a semi-industrialized country, South Africa has a well-organized system of interest groups. The organizationally most advanced groups can be found in the economic sphere. The trade union movement is split along racial lines, as with many other interest groups. The main trade union federation, COSATU, represents over 2.2 million mostly black workers in different trade unions. The white workforce is organized in different and much smaller unions. Solidarity, with its 140,000 members, is the most prominent. As a member of the tripartite alliance, COSATU is politically close to the ANC. Many senior COSATU members simultaneously hold senior positions within the ANC and, as a result, COSATU exerts strong influence over labor legislation. Despite their political affinity with the ruling party, COSATU-affiliated unions often leverage their influence via intense wage strikes and protests. Most recently, the federation has been very vocal in protesting the government's intention to introduce toll roads across the highways of Gauteng, the country's economic powerhouse. Over the past year, the hegemony of COSATU has also come under pressure from smaller militant unions that have challenged its unions. This has particularly been the case in the mining sector, where the Association of Mineworkers and Construction Union (AMCU) has challenged COSATU's National Union of Mineworkers (NUM), and in some cases replaced the NUM as spokesperson of workers at certain mines. The Marikana massacre on August 16, 2012, the single most lethal use of force by South African security forces against civilians since 1960, occurred after workers rejected a wage deal brokered between the mine owners, Lonmin, and the NUM, and insisted on a higher living wage.

With regard to the role of business in politics, its role is less overt, although it is still regarded as a highly influential player. It does, however, not speak with a unified voice. In 2012, a group of black businessmen split away from Business Unity South Africa (BUSA), the umbrella organization of organized business, and formed the Black Business Council (BBC). In a number of areas, therefore, one tends to find racially distinct positions on national policies. Historically, religious institutions played an important societal and political role within the movement for political liberation. Over the past eighteen years, however, they have been criticized for not speaking out and acting strongly enough about key social challenges. In recent years, though, the clergy has become more outspoken on issues such as poverty, inequality, corruption and also the Protection of State Information Bill.

Interest groups

8

Due to the character of the ANC as an inclusive movement, often referred to as a “broad church,” different and often competing social interests are represented in the same party, leading to a permanent internal contestation. In some instances, particularly in the run-up to party conferences, brutal internal battles have on some occasions spilled over into the governance sphere. Besides the classic interest groups from capital, labor and religion, South Africa enjoys a wide spectrum of civil society groups and social movements. The latter experienced strong growth in recent years. Most of the social movements are survivalist in nature and they define themselves as advocates of the underprivileged and poor South Africans. There is, however, a new breed of well-organized, issue specific social movements emerging, including the Treatment Action Campaign (TAC), which fights for the rights of HIV-infected South Africans, and Equal Education and Section 27 that campaign in the critical field of education rights.

According to the Afrobarometer 2012 the number of South Africans who believe that democracy is always preferable to any other kind of government has increased from 67% to 72% between 2008 and 2011. The share of South Africans advocating for a non-democratic alternative has decreased. Similarly, 60% are satisfied with the way democracy works and 66% regard the country a full democracy with only minor problems.

Approval of
democracy
8

Despite several scandals around President Zuma’s personal life, his approval rating of 64% remains high and has increased from 55% in 2008. The approval of the president is uneven between the provinces, however. Not surprisingly, support for Zuma is highest in the eight ANC-governed provinces and, lower in the Western Cape, which is governed by the DA. The judgments about policy performance depend on specific issues. Afrobarometer respondents have rated performance in the fields of job creation, combating corruption and crime and handling immigration low. Positive approval ratings ranged between 20% and 35%. But infrastructural policies (electricity, health care) and social policies record much higher responses. The distribution of social welfare is, for example, approved by 76% – the highest of all approval ratings. Interestingly, the results concerning policy performance contradict the picture of a totally dissatisfied population suggested by violent protests over service delivery. The results indicate that the protests, which have posed challenges for the promotion of the rule of law, do not reflect the opinion of society at large, but of those that government has not been able to reach yet. This does not diminish the serious nature of the protests.

According to the polls from the Institute for Justice and Reconciliation’s annual SA Reconciliation Barometer for 2012, between 60% and 70% have confidence in the main institutions such as the president and parliament. In contrast, trust in local government is relatively low (50%).

The legacy of apartheid still pervades society and levels of trust between the country's historically categorized racial groups remains uneven. Surveys show that the level of interpersonal trust is still very low compared to European countries, for example. According to polls undertaken in 2008 – 2009 by the South African Social Attitudes Survey (SASAS) only between 3-4% of all South Africans agree with the statement that most people can be trusted. Trust in general stood at 26% in 2009, which is a slight improvement compared to 2008.

Trust between members of the same racial or ethnic group is higher than between members belonging to different racial or ethnic groups. This has not changed much, although there are thousands of self-help and community based organizations. But many of these organizations do not organize across the skin color line, given that communities still remain racially homogenous. Many South Africans only have contact with members of other racial groups at the workplace. The data on trust between members of different races shows a slight increase between 2008 – 2010, but is still below 40%. And the share of people who think it is difficult to understand customs and ways of other people from other races has slightly increased to over 60% of all respondents (SA Reconciliation Barometer 2010). There are still significant historical tensions between the different population groups.

The latest Afrobarometer survey demonstrates that South Africans' trust of foreigners is also low. In 2011, 67% said that they do not trust foreigners "at all" and 21% trust them "just a little." These findings come just a few years after a wave of xenophobic violence swept across South Africa in 2008 in which many African migrants were killed.

Social capital
6

II. Economic Transformation

6 | Level of Socioeconomic Development

Although integration has taken place over the past two decades since the end of apartheid, the social divisions of race and class remain distinctive figures of South African society. About a quarter of the population are excluded from formal economic activity and are dependent on the state for social welfare in the form of pensions and grants. This picture is also mirrored by international statistics: In 2009, 31% of the population lived on less than \$2 a day. The HDI decreased from 0.67 (ranked 125 out of 177 countries) in 2008. Between 2010 and 2011 the HDI increased from 0.597 (rank 110 out of 169 countries) to 0.619 in 2011 (ranked 123 out of 184 countries). South Africa has a Gini coefficient of 0.70, one of the highest in the world, revealing massive income disparities. The main reason for persistent poverty and

Question
Score

Socioeconomic
barriers
5

growing inequality are low levels of employment, linked to public education that does not succeed in providing the economy with the skills that are required by companies, firms and government. The official unemployment level, according to the country's 2012 Fourth Quarterly Labor Force Survey, is 25.5%.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	283985.5	363240.7	401802.2	384312.7
GDP growth	%	-1.5	3.1	3.5	2.5
Inflation (CPI)	%	7.1	4.3	5.3	5.4
Unemployment	%	23.7	24.7	24.7	-
Foreign direct investment	% of GDP	1.9	0.3	1.5	-
Export growth	%	-19.5	4.5	5.9	0.1
Import growth	%	-17.4	9.6	9.7	6.3
Current account balance	\$ M	-11327.0	-10117.3	-13682.7	-24068.8
Public debt	% of GDP	31.3	35.8	39.6	42.3
External debt	\$ M	77274.6	102348.1	113511.9	-
Total debt service	\$ M	4440.9	6243.8	6504.6	-
Cash surplus or deficit	% of GDP	-5.1	-4.0	-4.4	-
Tax revenue	% of GDP	25.4	25.9	26.1	-
Government consumption	% of GDP	21.1	21.8	21.8	22.4
Public expnd. on edu.	% of GDP	5.5	6.0	-	-
Public expnd. on health	% of GDP	4.1	4.1	4.1	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.3	1.2	1.1	1.2

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

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

Market-based
competition
8

companies still play an important role. But the country is a full-fledged market economy offering market access for all participants easily. The currency is fully convertible. Compared to other African countries, where the informal sector is sometimes as important as the formal sector, South Africa's informal sector contributes only 7.1% to total GDP, although 30% of the workforce is employed in the non-agricultural informal sector. In recent years, the share of employees in the informal sector has decreased as a result of government efforts to expand the formalization of the labor force.

Historically, the South African economy consisted of a number of large monopolistic parastatal structures, providing the government with a strong position in the economy. There has been a degree of restructuring of state-owned entities, but parastatals, such as Telkom, Transnet, Eskom, and Denel continue to exist. Eskom and Transnet in particular are regarded as central to government plans to expand its public infrastructure to support future growth. All these entities are, however, large, inefficiently run and unduly affected by leadership crises and political intervention. South African Airways is a prime example, as it has had to be bailed out by public funding on several occasions. Private airlines have also regularly complained about the national carrier's uncompetitive behavior in the airlines market. In the private sector, similar conglomerates, mainly linked to mining interests, existed prior to the end of apartheid. Since then, many of these entities have unbundled, but ownership in various sectors of the economy still remains concentrated. The post-apartheid government established a Competition Commission in 1998 to prevent the abuse of dominant positions and mergers in the economy. The commission has thus far investigated several sectors and industries, and has made important rulings in this regard. Its scope, however, remains constrained and the entity still requires additional capacity to fully carry out to its mandate.

Anti-monopoly
policy

8

The country re-entered the international economy and started a process of liberalization opening its markets to a large extent after the end of apartheid in 1994. In line with WTO-rules, import quotas have been removed and tariffs have been lowered to a large extent with some exceptions (textile and clothing industry). A Trade Development and Cooperation Agreement (TDCA) between South Africa and the European Union, South Africa's main trading partner, was signed in 2004. Subsequently, trade between South Africa and the European Union has increased. Exchange rate controls have been removed completely. As part of the Southern African Development Community (SADC) country group, the country is currently still involved in negotiating an economic partnership agreement with the European Commission. These negotiations have been complex, and if adopted, will replace the TDCA. The process will have to be completed by January 2014. If not, South Africa will continue to trade under the TDCA, but other SADC countries may forfeit privileged access to European markets.

Liberalization of
foreign trade

8

On the international level the country generally supports trade liberalization but also criticizes the disadvantages of such policies for developing countries. The country also has been accepted as a member of the BRICS (Brazil, Russia, India, China and South Africa) and tries to play an active role in the association. In March 2013, it also hosted the 5th BRICS summit in Durban. Given its reputation as a gateway to Africa, the country strategically positions itself as a major economic and political player on the continent, and as a result, the thematic focus of the BRICS conference also aimed to link the rest of the continent to this emerging group of nations.

South Africa has a modern banking system consisting of half a dozen large banks (Nedbank, ABSA, Standard Bank, First National Bank, etc.). Foreign banks are also active in the country and some hold shares of South African banks. The South African banks are financially strong and abide by international standards. Furthermore, the supervision of banks is effective.

Banking system
9

After a year of delay, the South African Reserve Bank started to implement the rules of the Basel III agreement in January 2013. The implementation will continue until 2018. South Africa's ratio of bank capital to assets improved, according to the World Bank, after three years of decline to 7.4%. Compared to many transformation countries this is relatively low, but misses the Basel III marginally. Although the amount of nonperforming loans increased strongly from 1.1% (2007) to 5.9% (2009), it now stands at 5.7%, which is below the average of 6.7% and much better than in most Eastern European countries.

The capital market is well-developed and the Johannesburg Stock Exchange (JSE) is the largest stock exchange in Africa and the 17th largest worldwide.

8 | Currency and Price Stability

Between 2011 and 2013, the inflation target rate 3-6% was met. In the aftermath of the crisis in 2009, inflation dropped to a record low of 4.3% in 2010 and then increased again to 5.0% in 2011. The South African Reserve Bank, the country's central bank, is formally independent. In general, the bank compliments the government's mainly conservative fiscal policy by means of monetary policy. The volatility of the rand remains a challenge for forward economic planning, however. The rand was particularly vulnerable during the global financial crisis. Although it has recovered, the exchange rate is still weaker than before the crisis. The relatively small size of the South African economy (including the Rand Monetary Area, shared with Botswana, Lesotho and Swaziland), its low savings rate and high dependence on short-term capital flows leaves the country's currency with high structural vulnerability.

Anti-inflation /
forex policy
8

All in all, the government pursues prudent fiscal policy, but its space to maneuver has decreased in recent years. Public debt has strongly increased from 23% of GDP in 2008 to 38.8% in 2012, though this is still much lower than in many OECD countries. Higher levels of expenditure on critical economic infrastructure, combined with lower revenue under sluggish conditions, have contributed to this growth in debt and the higher budget deficit. This has also contributed to the fact that debt-servicing costs have become the fastest growing budget line. The current account balance was -13.1% for 2011. This was also an increase compared to the year before, but compared to comparative countries such as Turkey (-77.1%) or Brazil (-52.5%) it is relatively low. Government consumption is high with 21% of GDP (2011). Additionally, the current account deficit of 6% remains cause for concern, while the country, understandably, has to import significant volumes of capital equipment for its infrastructure reinvestment program, as mentioned above. Social unrest in the mining sector, which has slowed mineral exports, has also played a role in this regard.

Macrostability
7

9 | Private Property

Private property is explicitly guaranteed by the constitution. The acquisition of land and real estate is relatively easy and fast, except in cases of land restitution. As in all former settler countries, land ownership and restitution in South Africa are politically sensitive, ideologically loaded and emotionally difficult issues. In 2013, South Africa will commemorate 100 years since the passage of the 1913 Native Land Act that formed the cornerstone of the dispossession of black ownership of land. Given that existing land reform efforts have not reached the target of transferring 30% of agricultural land to black farmers, it is expected that in 2013, against the backdrop of this commemorative year, members of government will develop new strategies to reach its target. Up to date land transfer has occurred on the basis of the “willing buyer, willing seller principle,” but during the opening of parliament in February 2012, President Jacob Zuma indicated that this will be replaced by a “just and equitable” principle to speed up the process.

Property rights
8

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 and to create employment opportunities for whites.

Private enterprise
7

Today, however, the private sector is undoubtedly the backbone of the country’s economy. South Africa’s rank in the World Bank’s Doing Business report has improved consistently, and its security exchange and banking systems rank first and second in the world, according the most recent Global Competitiveness Report of the World Economic Forum. To start up a new business it takes 19 days (2010: 22) and it requires five (2010: six) procedures to open a new business. This is clearly below the global average of 27 days and 7 procedures. The world financial crisis focused attention once again on the role of the state in the economy. After several years of

internal debate, the ANC has rejected the policy of nationalization, but does not exclude strategic stakeholderhood in the economy in sectors that are critical to promote the country's development agenda. Although privatization is not currently on the political agenda, the country's finance minister, Pravin Gordhan, has indicated in his 2012 budget speech that the country will have to consider strategic partnerships with the private sector to turn around the prospects of loss-making state entities. Probably the most prominent of these is South Africa Airways (SAA). As mentioned above, the airline has received successive state bailouts, but has not managed to turn its finances around. Increasingly, private airlines have been accusing the government of uncompetitive behavior by sustaining an unprofitable airline at taxpayers' expense in a very difficult market. Previous attempts at privatization have been controversial, and individuals linked closely to the ANC have been accused of benefitting unfairly from this process.

10 | Welfare Regime

Nearly 20 years after the end of apartheid, South Africa continues to be afflicted by high levels of poverty, income inequality and limited access to basic services and facilities for large portions of the population. While poverty levels steadily decreasing, most gains have not been due to employment creation, but rather to the exponential growth of the country's social grants and pension system, which today covers 16 million people, or about 30% of the population. In comparison with its emerging market peers, this is a substantial percentage. This expansive social welfare system is unsustainable and it has become imperative that more South Africans earn an income from wages. In terms of access to services and facilities, substantial gains have been made in the provision of public housing, access to electricity and clean water, as well as basic sanitation. The shortfall of each of the above, however, remains weak capacity and corruption, especially at the local government level, which hinder efficient implementation.

In 2012, the government started a five-year-pilot period for the introduction of the National Health Insurance system. The estimated costs for the system will be substantial, and under the current economic conditions, it will be difficult for the government to implement it as rapidly as it would like to. Although public expenditure on health has stabilized at around 4% of GDP, the HIV/AIDS pandemic remains a significant burden on the system, with over 5 million South Africans infected. Over the years, HIV/AIDS has contributed to an average decrease in life expectancy, which in 2011 stood at just 52 years.

Following hundreds of years of discrimination, the South African Constitution was written with strong prohibitions on any form of discrimination on the basis of social class, religious belief or ethnic and racial identity. Despite this legal framework, instances of racial discrimination still occur, though the state is progressively making

Social safety nets
6

Equal opportunity
7

headway in this regard. In addition, it has also instituted legislation that provides for affirmative action in employment, ownership, and government procurement practices.

Despite these measures, South African society still remains highly unequal, with one of the highest Gini coefficients (0.70) in the world. Opportunity therefore remains unequally distributed. Clearly, the major obstacle in term of opportunity lies in the economic sphere. As indicated elsewhere, high levels of unemployment serve to sustain such inequality, even in post-apartheid South Africa. The country's economy has a shortage of skilled workers and an oversupply of unskilled workers. This mismatch between demand and supply has further increased the wage gap between the rich and the poor. The most obvious instrument to address this mismatch is the education system. Yet, its outputs remain of a poor quality. Dropout rates are high – more than 50% of students not complete their schooling within the normal 12-year period of schooling, and independent tests have shown that the country's math and science performance also lags behind that of several other African states. As such, the cycle of poverty is reinforced, with a child born in a poor household very likely to become a parent of a poor household.

Concerning gender equality, South Africa is progressing well. The government highly prioritizes gender issues and a Department for Women, Children and People with Disabilities is located in the presidency. Women are well represented in public office, and in 2012, Mangwashi Victoria Phiyega became the country's first female police chief. Over 40% of South Africa's members of parliament are women (several of them cabinet ministers), as are the premiers of three of the country's nine provinces. The ANC has also introduced a 50% quota for women in senior positions within the party itself. Apart from politics, women play an important role in public life.

Yet, despite these official provisions, the lived reality of many women is often different. Women have poor access to health services and they are disproportionately hard 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 and some fear that a Traditional Courts Bill, currently before parliament would further serve to entrench the unequal position of women, particularly in rural areas.

11 | Economic Performance

The South African economy has had a mild recovery since, for the first time in 17 years, it went into recession in 2009. According to Statistics South Africa, the

Output strength

6

economy grew by 2.9% in 2010, 3.1% in 2011 and 2.4% in 2012. The National Treasury estimates that growth for 2013 will be 2.7%. These estimates fall way below the sustained 5-6% annual growth that the country needs to reach the National Development Plan goal of lowering unemployment to 6% by 2030. Although the recession was brief and fairly shallow (-1.5% in 2009), the damage to already dismal employment levels was severe, and unemployment remains at unacceptable levels. During 2009, the economy lost around 1 million jobs, and by the end of 2012, this number was not yet recuperated. The official fourth quarter unemployment levels in 2012 stood at 25.5%, but this figure does not include discouraged jobseekers who have stopped looking for employment. Should these be included, the unemployment figure edges over the 30% mark. All ratings agencies have adjusted their prognosis for the economy downward, but the country still remains at the investor grade level.

Increased public spending on 2010 Soccer World Cup infrastructure, and existing projects to replace the country's aging transport and energy infrastructure, have mitigated the effects of the crisis, but in the absence of growth and sufficient tax revenues, increased public debt and a widening current account deficit has made the current growth formula unsustainable. The most positive development during the review period has been the government's adoption of a National Development Plan, which articulates goals and objectives for 2030. The plan has been endorsed by most critical stakeholders, and responds to a long-time concern that the country did not have a long-term vision for its development trajectory.

12 | Sustainability

A high level of awareness exists in South Africa about the need for environmental sustainability. Global climate change, the effects of raw material extraction and questions of energy security have gained more and more attention among academics and policymakers. Political responsibility for environmental issues lies in the Department for Environmental Affairs and Tourism. 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.

Yet the country's environmental record is mixed. On the one hand, South Africa is a signatory to numerous international agreements and obligations, and the number of laws that signal the country's intent to comply with international standards is impressive. The country undertakes serious efforts in nature and wildlife conservation. It should be noted, though that these efforts are, to a large extent, driven by economic interests, as tourism is an important sector that contributed about 8% to the country's GDP in 2009. On the other hand, the country has substantial coal reserves, and as a result this continues to be its major source of energy. It is estimated that 77% of South Africa's electricity is generated from fossil fuels, giving it a place

Environmental
policy

7

among the top 20 greenhouse gas emitters in the world. And despite its large legal framework for environmental protection, there is a large gap between regulations and implementation. According to data from the Environmental Performance Index, which offers a mix of 25 different indicators that measure actual compliance with environmental policy aims and public health aims, South Africa scores only 34.6 (the average is 50.4) and the country ranks 128 out of 132 countries. The reality is that environmental and health concerns are often subordinated to economic growth. Like all developing countries, South Africa has to find an appropriate balance between environmental sustainability and economic growth.

South Africa inherited a highly fragmented, racially divided and unequal education system from the apartheid era. The education of the non-white majority was, for ideological reasons, neglected for decades. The post-apartheid government made the improvement of the educational system on all levels a top priority.

Yet the performance of the education system in post-apartheid South Africa remains dismal. Even though access has expanded exponentially, and the country spends close to 6% (2010) of its GDP on education, educational outcomes remain poor, especially on the primary and secondary levels. School dropout rates (the number of students not completing their schooling within 12 years) exceed 50%. Although senior year high school pass rates have increased in recent years, the quality of these passes, especially for math and sciences, remain questionable in a system where 33% is enough to pass a subject. Not surprisingly the 2012/13 World Competitiveness Report ranked the country 143rd out of 144 countries at critical times for mathematical and science education. There are several contributing factors to the weakness of South African schooling. These include inappropriate curriculum choices, the socioeconomic circumstances of students, inadequate teacher qualifications, a lack of accountability in the system, and importantly, questionable behavior of the powerful teachers' union, the South African Democratic Teachers Union (SADTU), which on several occasions has crippled education in pursuit of better wages. The weaknesses of the primary and secondary school system is then passed on to the tertiary system. On the level of tertiary education, the number of students in doctoral programs is much lower than in other countries of similar status. R&D expenses stagnate slightly below 1% of GDP, and 70% of R&D expenses are spent on research in natural sciences and engineering.

In sum, the weak education system serves to further exacerbate the country's high unemployment levels, in an economy that is becoming increasingly skills oriented. Since the 2009 recession, the only employment growth that occurred was in the category of workers that completed their schooling.

Transformation Management

I. Level of Difficulty

Compared to many other African states, South Africa boasts well-developed infrastructure, a well-developed mineral extraction industry, competitive agricultural production and world-class tourist destinations.

Structural
constraints

7

Yet nearly 20 years after the end of apartheid, structural imbalances and deficits still constrain the government's capacity to develop the country further. Severe deficits in the educational system and skill shortage, partly a legacy of the apartheid system, pose serious impediments for economic growth.

The relatively high average income disguises widespread poverty and high unemployment rates, which are to a large extent responsible for extremely high crime rates and deviant social behavior (e.g. alcoholism, drugs). UNAIDS estimates 5.7 million South Africans are living with HIV/AIDS. The pandemic negatively affects most sectors of society and slows down industrial productivity and economic growth. The health system and family support systems are overburdened. Furthermore, AIDS has created hundreds of thousands of orphans. In contrast to his predecessor, Thabo Mbeki, the current President, Jacob Zuma has shown a much greater commitment to fighting the pandemic, and has broadened the program for anti-retroviral treatment.

In short, despite South Africa's high level of development, the constraints on the government are high.

South Africa has a large and diverse civil society. Although the last count of organizations (98,000 in 2001) may be dated, it is clear that civil society remains vibrant and active. Most of these organizations are informal and have been created in response to immediate needs of poor communities. Although they play an important role on the ground, they often lack the resources and capacity to engage with authorities on an official level. Organized civil society organizations and think tanks – mainly staffed by middle class South Africans – are better equipped to do so, but often lack a defined constituency in the poorest communities. The decades' long struggle against apartheid, and the relatively high development status of the country, explains the existence of this division in South African civil society. With the end of apartheid, the mobilization capacity of the anti-regime civil society declined, and it

Civil society
traditions

3

also suffered significant leadership losses after many top civil society leaders were co-opted into the government. In recent years, many groups have also been weakened by financial constraints, often the result from declining external support. While some, like IDASA, one of the country's most renowned democracy think tanks have had to close their doors, new social movements have breathed new life into civil society activism. These organizations, which include the Treatment Action Campaign, Section 27, the Social Justice Coalition, and Equal Education have in some instances supported government policies and implementation, but in others launched successful court challenges where they believed that government fell short of its mandate.

While South African society is becoming increasingly integrated, it is still characterized by racial polarization, stemming from a history of distrust and discrimination between the country's different racial groups. Such division is being reinforced by economic inequality. Although the gap has narrowed marginally, the average black household income, according to the most recent census in 2011, still only amounts to 16% of the average white household income. This structural impediment to social cohesion has been somewhat mitigated by the growth of the black middle class over the past two decades, but has not resulted in a decisive shift of income distribution patterns. While these socioeconomic imbalances have not given rise to persistent conflict, instances of sporadic violence associated with these circumstances have become increasingly frequent. Most often these violent incidents stem from real material concerns, but frequently they are also motivated by political power struggles at the local government level. The lawlessness associated with these acts, and the increasingly forceful way in which authorities respond to suppress them, points to a weakening of the country's social order. The Marikana massacre, which left 34 protesting miners dead after police opened fire on them, pointed to the consequences of growing social tension and the inability of the country's police to respond to it in an appropriate way.

Conflict intensity
5

II. Management Performance

14 | Steering Capability

The government prioritizes the consolidation of the representative democratic system and the eradication of high levels of poverty and inequality. In August 2012, the government adopted its long-term strategy, titled the National Development Plan (NDP) with the slogan "Our future. Make it work." The detailed plan, which aims to reduce poverty through increased employment (its aim is to reduce unemployment to 6% by 2030), was developed by the National Planning Commission, headed by Trevor Manuel, the country's well-respected former finance minister. The NDP

Question
Score

Prioritization
8

advocates a “capable developmental state” and sets priorities in the field of education and training, infrastructure rehabilitation and enhancing state capacities. The holistic plan connects different spheres of society and politics, and is structured into six different phases covering a period of 17 years.

It is much too early to judge whether the plan is realistic and appropriate. Much of its success will, firstly, depend on global growth, given the target of sustained average growth of just over 5% in the years leading up to 2030. Secondly, much will hinge on the state’s ability to improve its capacity to translate policy into implementation – a major weakness to date. Finally, and maybe most decisively, will be the extent to which ANC and its alliance partners will be willing to make the difficult decisions that will require sacrifice of some or all of the partners. Given the damaging nature of the constant contestation for influence within the alliance, this may be the highest hurdle that the government will have to cross.

The South African government has a long history of launching ambitious and far-reaching national plans and programs. These included the Reconstruction and Development Plan (RDP), the Growth, Employment, and Redistribution (GEAR) Plan, and the Accelerated and Shared Growth Initiative for South Africa (AsgiSA). Due to internal power struggles and internal conflict within the broader alliance, few of these programs have been carried through to their logical consequence. In addition, insufficient skills, red tape, and weak intergovernmental cooperation have added to the difficulty in their implementation. Overcoming these factors will also be critical for the success of the NDP and the implementation of the New Growth Path strategy.

Historical redress adds another dimension to governance. Well-intended policies, such as affirmative action and broad-based black economic empowerment (BBBEE), have unfortunately also had unintended consequences. These include an overconcentration of government tenders in the hands of politically connected individuals, and within the bureaucracy, an overemphasis on racial quotas at the cost of skills and empowerment. The quality of South African bureaucracy is, on the one hand, higher than in many sub-Saharan African countries, but on the other, clearly below that of many Asian transformation countries. The limited administrative capacities are often overlooked in the discussions about South Africa’s chances of becoming a “developmental state” and following Asian success stories.

South African policymaking draws on extensive and sophisticated analysis and policy learning forms part of this process. As such, new policy usually draws on the insights of the successes and failures of the policy that has preceded it. Policymaking and -learning are not a weakness of the South African state. In fact, over the years it has managed to craft comprehensive and credible policy responses grounded in highly technical research. The major shortcoming in its policy armor is its inability to implement and stick to policies, making it turn a deaf ear to external advice. Unfortunately, the major actors within government are beholden to different factions

Implementation
7

Policy learning
7

within the tripartite alliance and, as a result, policy implementation is often diluted due to compromises and bargains that have to be struck to appease the major stakeholders. Frequently full implementation of the insights gained from policy learning are likely to destabilize the political equilibrium within the alliance, and instead, watered down versions have to suffice. Although it could be argued that this is a reality of all democracies, the alliance, and its party political flag bearer, the ANC, is ideologically far more diverse than most other political entities. As mentioned above, it describes itself as a “broad church,” which accommodates diverse groupings that are united in their mission to remove the last vestiges of apartheid through the pursuit of a “national democratic revolution.”

15 | Resource Efficiency

While the country’s counter-cyclical approach to macroeconomic management is exemplary in many respects, its ability to spend allocated funds efficiently is severely curtailed by incapacity, maladministration and the growing scourge of corruption at all levels of government. Moreover, government salaries and wages constitute just over a third of all non-interest budget expenditure, or about 12% of GDP. If South Africa is to achieve its 2030 targets set out in the National Development Plan, it is critical to eradicate these inefficiencies with greater urgency. At present, too much spending is channeled to consumption instead of capital investment in the future. The country has embarked on a multi-billion dollar infrastructure expansion program, but given low growth, less revenue, and a lackluster forecast for the short- to medium-term future, the country will have to finance such expenditure. Although its debt to GDP ratio still stood at a respectable 38% in 2013, in 2008 it was much lower at 23%. As a consequence, debt-servicing cost has been the fastest growing government expenditure.

Efficient use of
assets

5

Policy coordination and implementation remain one the country’s biggest governance shortcomings. Although a protocol of intergovernmental relations exists, its practice has largely departed from its intended objectives. High levels of fragmentation continue to hamper integrated responses to policy questions, and departments are often driven by their own policy agendas and by lobbying groups. When the Zuma administration came to power in 2009, it created a number of new ministries to fill what it regarded to be some of the most glaring gaps in government’s response to the country’s challenges. Among these were the National Planning Commission (NPC), tasked with the drafting of a National Development Plan, and a Ministry for Performance Management and Evaluation (DPME), to develop performance indicators for all government departments. Of the two, the NPC has been more publicly visible and has interacted effectively with the public on the drafting of the plan while the DPME has been less effective and has missed a number of critical targets. In the most recent Auditors-General report, this department, which is to provide oversight of others, received a qualified audit itself. In addition to the

Policy
coordination

6

National Treasury and the Department of Trade and Industry in the economics cluster, the Zuma administration also created an additional Department of Economic Development. Its most significant output thus far has been the release of the National Growth Path document, which was broadly welcomed by the labor movement, but met with a lukewarm response from business. Despite this policy contribution, the department is not prominent, and some have suggested that its addition has complicated, rather than simplified, the economic policymaking process.

Corruption and maladministration has become a growing scourge, which drains valuable resources from state coffers. Ordinary South Africans are increasingly concerned about its scope and extent. The Afrobarometer survey shows that in 2011, 26% of respondents were worried about the impact of corruption on society. The comparative figure in 1995 stood at 2%. In response, government rhetoric on corruption has become increasingly tough. Yet, many feel that words are not followed by action. Alleged perpetrators in government often get moved to other departments, and when prosecutions occur they often appear to be politically-motivated. Fraud and bribery, particularly at a local government level, is prevalent, and irregular practices in the awarding of government tenders at all levels of government has given rise to what is being referred to in South Africa as “tenderpreneurship.”

According to the most recent Auditors-General report, one of the major shortcomings, as far as government corruption and maladministration is concerned, is the absence of sufficient lines of accountability. There are too few sanctions for those who break the law. In addition to the Auditor-General, the only other prominent institution that has appeared to do its work without fear or favor has been the office of the Public Protector. Regardless of political pressure, she has not hesitated to investigate sensitive cases and her work resulted in the firing of the former South African national police commissioner, Bheki Cele, for his irregular conduct in the procurement of the new police headquarters.

Zuma’s administration also contributed to the weakening of anti-corruption fighting efforts when he disbanded the Scorpions, the former elite unit, which had a high success rate in fighting corruption – and was also responsible for the prosecution of Zuma’s corruption case. The case was withdrawn from the court under suspicious conditions before the court could make a ruling, and many saw this as retribution from Zuma’s side. The unit that replaced the Scorpions, the Hawks, was no longer independent and fell under the control of the police. In subsequent court proceedings, the Constitutional Court also found that the new unit did not meet the constitutional preconditions for an entity of this nature and had to be reconstituted. Progress in this regard has been slow and Zuma’s administration has shown little urgency to change it. After two years of having an acting head of the Special Investigating Unit, the president has still not appointed a new head, despite repeated undertakings to the contrary.

Anti-corruption
policy
5

The general public impression is that government talks tough, but acts soft on corruption and maladministration. Some are starting to refer to corruption as “endemic.”

16 | Consensus-Building

Although political polarization between the opposition and the ANC is high, there is still a basic consensus on democracy and a market economy among most leading politicians and the elites in general. The basic consensus is underwritten by a broad consensus on the values promoted by the South African Constitution, which was the product of extensive negotiation and public consultation. Contrary to what is frequently assumed outside of the country, this order is entrenched and is not dependent on the sanction or health of the country’s former president Nelson Mandela. While some of the country’s apartheid wounds still exist and are perpetuated by poverty and inequality, broad consensus exists across cultural divides about the rejection of apartheid as a system of governance. Although criticized for not having gone far enough in terms of the rights and compensation of victims, the country’s Truth and Reconciliation Commission (TRC) played an important role in forging this consensus.

Consensus on goals

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Political disputes exist between the ANC and smaller opposition parties, particularly the official opposition, the Democratic Alliance (DA), but at present the DA, which only controls the Western Cape province, does not pose a significant threat to the ANC’s national hegemony. Instead, the main challenge resides within the governing alliance itself, which draws together very diverse ideological orientations. While there has been broad support and endorsement for the government’s National Development Plan across the political spectrum, most of its fiercest criticism at the time of writing came from unions within COSATU, a staunch alliance partner. As indicated elsewhere in this document, these internal tensions often result either in weak implementation or no implementation at all.

There are no anti-democratic actors of political relevance in South Africa. Extreme right- and left wing ideas find little traction within the broader society. Some fringe rightwing groups associated with fanatic sects exist but pose little danger to national stability.

Anti-democratic actors

8

According to the Institute for Justice and Reconciliation’s annual South African Reconciliation Barometer Survey, South Africans identify income inequality as the most significant fault line running through South African society. Although it would be an oversimplification to assert that class has replaced race as the most distinctive feature of social relations in post-apartheid South Africa – the two still largely overlap – it is significant how prominent income inequality features in the assessments of ordinary citizens when asked about social cleavages. The government has gone to

Cleavage / conflict management

7

great lengths to reduce conflict potential of the rich-poor-cleavages by an active and large-scale social policy that involves massive financial transfers to the poor. While these measure have reduced poverty, income inequality has continued to expand to a current Gini coefficient of 0.70. Given the country's apartheid history, instances of racism and racial discrimination are still frequent. While ethnic discrimination is more latent, its impact is no less damaging. In the wake of the wave of xenophobic attacks, which resulted in the deaths of over 60 mainly African migrants from elsewhere on the continent in 2008, xenophobia is still a widespread phenomenon that from time to time leads to violent attacks.

South African civil society is large and vibrant, but by no means hegemonic. Given the lived reality of the majority of citizens, most organizations respond to the immediate needs of their communities and are often less formalized and without founding documents. They are, therefore, mostly localized, but some, such as the Landless Peoples Movement and Abahlali baseMjondolo, have branches in different parts of the country. There are fewer organized civil society groups and think tanks are fewer but they are generally more capable of engaging in the policy sphere, as they have the necessary resources to carry out research and analysis. To date they have also been successful in keeping key issues on the policy agenda, and ensuring that some are removed from it. In recent years, funding shortages, particularly as a result of the European economic decline and resultant restructuring of development, have hampered the work of these organizations and resulted in the closure of some. One of the major casualties has been IDASA, one of the country's most distinguished think tanks. However, a new generation of organizations, staffed by younger activists from diverse racial backgrounds, is emerging. They communicate through social media and have launched several successful campaigns, some of which involved challenging the government in court, with great success.

Civil society
participation
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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 after the end of apartheid. The work of the TRC became a model for many other countries. The TRC, chaired by former archbishop and Nobel laureate Desmond Tutu, obtained a high profile in South Africa. Today it has many critics within the country that argue that it did not go far enough in terms of championing the rights of victims. While some aspects of this criticism toward the TRC may be fair, questions should also be asked about the commitment of the South African government in terms of the diligence with which it implemented the recommendation of the commission. Its monetary compensation to victims and the families of victims was regarded as inadequate and far below that recommended by the TRC, for example. The SA Reconciliation Barometer Survey of the Institute for Justice and Reconciliation, widely regarded on the most authoritative quantitative measurement on this matter in South Africa, suggests a mixed picture. Although social integration has increased, and most South Africans

Reconciliation
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are committed to the idea of a united and reconciled South Africa, high trust deficits still exist and race still remains a significant predictor of public opinion in South Africa. As alluded to elsewhere in this report, growing class inequality serves as an exacerbating factor in this regard.

17 | International Cooperation

As a semi-industrialized country belonging to the group of the BRIC states, South Africa received relatively low amount of aid of \$20.6 per capita in 2010 and does not benefit from debt forgiveness. The budget share of aid stands at only 1.3%, much lower than in most African countries. But compared to comparable countries, South Africa receives considerable aid. Donor support goes in particular to the social and health sectors aimed at reducing inequalities and fighting HIV/AIDS. In addition, funds are spent on infrastructure and on environmental projects. Most of the projects are joint projects between donor agencies and their South African counterparts. In general, funds are used adequately by the South African authorities. The EU, for example, is publishing a list of projects in South Africa, which includes many success stories. External advice is in general welcomed but not always accepted by a self-confident government. In particular, political recommendations and judgments by donors are sometimes met with critique or even arrogance.

Effective use of
support
8

International agencies and Western countries and trade partners regard South Africa as an important and credible partner with strategic significance for Africa in general. The country enjoys this good reputation, partly because of its exemplary transition to democracy, the post-apartheid fiscal consolidation of a state that was virtually bankrupt, a superior domestic physical and financial infrastructure, and the active diplomatic role that it has played in shaping a broader African global agenda. Although South Africa does not describe itself as such, it is often being regarded as the spokesperson for this agenda. Some issues detract from this image, however, such as crime (although declining), the growing scourge of corruption, and what sometimes appears to be the inconsistent application of foreign policy.

Credibility
8

Foreign direct investment is lower than in other BRICS states and decreased in 2012. During the first six months of 2012, it decreased by 43%, compared to a 5% average increase for the rest of Africa. Reasons for the sluggish foreign direct investment (FDI) can potentially be found in the impact of a sluggish economy on a relatively small market (in previous years foreign investment in retail operations was quite popular). An additional concern, however, has been the weakening of labor relations, marked by an increase in unprotected strikes accompanied by physical violence and the loss of life. The South African government's heavy-handed response to the strikes has drawn international condemnation.

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 launch of the African Union (AU), the successor of the infamous Organization of African Unity. South Africa supports regional, continental and international organizations financially, and in Africa particularly, with peacekeeping troops.

Regional
cooperation
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The Zuma administration has been reluctant to continue with the ambitious foreign policy of the Mbeki administration, and his administration seems to be more focused on domestic issues (some of his critics have argued that such domestic issues relate primarily to internal ANC politics, at the cost of broader governance in the country). This orientation on domestic issues corresponds with the prevailing preference among South Africans. The majority of South Africans are skeptical of strong military engagement, regarding such ventures as expensive and risky. At the time of writing, the government has had to face up to severe domestic criticism after it came to light that nine of its troops were killed in the Central African Republic after offering training to government troops and protection to the now ousted autocrat President Francois Bozize.

The country's decreased visibility in African diplomacy was somewhat reversed by the election of South Africa's candidate for the Chairperson of the Commission of the African Union (AU), Nkosazana Dlamini Zuma. Dlamini Zuma at the time held the position of minister of home affairs, but under Mbeki also headed the Department of International Relations and Cooperation. She ousted the incumbent, Jean Ping, from Gabon in July 2012 in what was punted by South African diplomats as a battle for control between African states and a struggle for French influence through Francophone Africa. The animosity that characterized this battle divided the AU, and one of Dlamini-Zuma's major tasks will be to heal these rifts. It is still too early to pass judgment on her performance thus far, but in addition to the challenge of creating unity, she will also be challenged with reforming the AU's bureaucracy – a difficult task when taking into account that many of the member states struggle to exercise control and extract revenues from their own territories. At the regional level, integration continues to be a priority within the Southern African Development Community (SADC). Negotiations with the European Commission on an Economic Partnership Agreement (EPA) with SADC remain a complex issue given the distinct nature of the South African economy in comparison to that of its neighbors. Many argue that negotiations up to now have retarded, rather than supported, the cause of regional integration in the SADC. Zimbabwe's internal political situation remains challenging for South Africa and the rest of the region. Although democratic rights are still being violated with impunity in the country, the situation seems to have stabilized when compared to recent years.

Strategic Outlook

Political stability is likely to prevail at the national level for the foreseeable future. The tripartite alliance between the ANC, the South African Communist Party and the trade union association, COSATU, remains cohesive, and the possibility of an end to this relationship is slim indeed. The mutual benefits of this relationship to each of the parties are far too large to forsake. Instead, the power dynamics within the alliance will play out in more complex ways. Factionalism plays out internally within the organizations, but often these factions receive backing from like-minded individuals or factions with common agendas from the other alliance partners. There is, therefore, a struggle for hegemony within individual organizations, but also across the alliance. The outcome of the National Conference in Mangaung at the end of 2012 consolidated the position of Zuma's faction, whose most important power brokers hail from KwaZulu-Natal. At the time of writing, COSATU's general secretary, Zwelinzima Vavi has been accused of fraud and marginalized from the alliance. This action is widely regarded as a politically motivated reprisal by Zuma supporters following Vavi's vocal criticism of government corruption, and in particular of Zuma's alleged excessive use of state funds to upgrade his private residence at Nkandla in rural KwaZulu-Natal. COSATU had been in a vulnerable position, as it had been afflicted by power struggles at the leadership level. Its leadership has found it increasingly difficult to organize and discipline its members. This is partly the result of leadership battles, but also a growing perception at ground level that its leaders lavishes themselves with luxury, normally associated with captains of industry, and they are losing touch with the struggles of ordinary workers. As a result, a new, more militant union, the Association of Mineworkers and Construction Union (AMCU), has replaced COSATU's National Union of Mineworkers (NUM) as the official voice of workers at some mines. It is also important to remember that the illegal strike that resulted in the Marikana massacre came after workers rejected a wage deal between the NUM and the mining company, Lonmin.

This challenge to COSATU also has implications for the tripartite alliance and its ability to leverage influence over workers to promote labor stability. If this problem is not circumvented, the country may face longer and more debilitating strikes in the long term. This could also affect the nature of the relationship that business has had up to now with government.

As far as inter-party political struggles are concerned, the country seems to be moving in the direction of a two-party system. This trend was confirmed during the 2011 local government elections where the Democratic Alliance (DA) seemed to usurp much of the vote of smaller opposition parties. The Congress of the People (COPE), which was formed by ANC dissidents after the fallout of the ANC's 2007 Polokwane conference, all but imploded when it became clear that political survival, not policy, was its major reason for existence. During 2012, there have been various discussions among opposition entities, and on several occasions their leaders have appeared on the same stages to promote causes, such as the fight against corruption. The DA's future will thus depend on its ability to make inroads into the black constituencies and the large groups of not-voters. If it draws voters from these constituencies will most likely be younger voters

with a middle class orientation. In order to reach this end, it has ramped up its campaigns at universities, and by appointing young black leaders to leadership positions at its federal congress in 2012. Yet while the possibility of a multiracial opposition party seems to be increasingly possible, the prospect for a multiclass entity does not. The ANC still commands the support of the majority of poor and working class citizens – the overwhelming majority of South Africans – and is therefore likely to continue its pattern of comfortable victories in national elections. It will, however, become increasingly concerned about its margin of victory. Anything below 60% of the national vote in the 2014 general election will be a major setback for the party. At the time of writing, a new political movement under the auspices of academic and erstwhile anti-apartheid activist, Mamphele Ramphele, was being formed. Currently operating as a political “platform” with the name Agang, its policy orientations are not clear yet. All indications are that it will strongly put forth the idea of a common South African citizenship and direct its energies to gaining support from South Africa’s predominantly young population.

The country’s democratic institutions, including its judiciary, operate with several challenges, of which scale and capacity are but two. The most prominent emerging matter, however, is the social pressure on the state to deliver to expectant citizens under challenging material conditions. In recent years, the proliferation of violent protest, often accompanied by the destruction of public property or physical harm, has become a matter of grave concern. There are several intertwined, deeply structural explanations for this. Firstly, there is an historical legacy of deprivation that manifests in the form of poverty and inequality; secondly, the economy fails to create employment, because of a labor market mismatch between skills demand and supply, which is attributed to a poor public education system; and thirdly a struggling global economy is unlikely to stimulate the domestic economy to the degree that growth would be sufficient to achieve the country’s developmental target. Very worrying in recent years has also been the extent to which maladministration and corruption has siphoned off scarce revenues from the state departments. The most urgent intervention in this regard should be the strengthening of oversight and accountability institutions to remove a growing perception that the state is soft on corruption. Furthermore, the ANC will have to review its cadre deployment policy, which has had the unintended consequence of political patronage and nepotism and the cost of a skilled and professional bureaucracy.

To reach its goals, South Africa’s leadership should focus on the following in coming years::

- A strong emphasis on the promotion of consensus around the National Development Plan and its implementation. For many years the country has lacked a coherent national vision, and the plan offers the opportunity for a more integrated and cohesive approach toward addressing the country’s developmental challenges.
- A single-minded focus on education and employment creation that would allow the state to redirect funding allocated for social support to infrastructure investment in the longer term.
- Assistance for the reform of the public sector on the local and provincial level to improve government efficiency by training bureaucrats at the local and regional government level.

- New regulations on private political party funding. Private funding is currently not subject to oversight and its unregulated nature opens up the possibilities for corruption. Regulations are overdue. Civil society organizations should, and will in all likelihood, increase pressure for lobbying in this regard.
- Support for electoral reform that allows for greater linkage between citizens and their representatives. The closed proportional representative system gives party elites tremendous power over the party by allowing them to nominate candidates. A modified system should aim at strengthening the role of members of parliament by introducing constituencies. Such reforms should, however, also bear in mind the potential impact that a constituency system would have for the emergence of populist mobilization in communities that live in desperation for a better livelihood. Party control is of cardinal importance to the ANC leadership, and their experience with Julius Malema may be one of the reasons why the ANC leaders are loathe to embark on such reforms.
- Although not under immediate threat, priority should be given to the judicial system to ensure that undue social pressure through litigation does not compromise its longer term legitimacy. An inability to reach consensus within the body politic has in recent years led to polarization about the role of the judicial system and the Constitutional Court in particular. This burden needs to be lifted through more efficient use of existing constitutional protection structures, such as the so-called Chapter 9 institutions, and bargaining councils, such as Nedlac.
- The creation of early-warning instruments, conflict prevention strategies, and crisis intervention measures to mitigate tensions that threatening to develop into open, large-scale violence. Such cooperation needs to be strengthened through coordination between government and relevant social stakeholders.