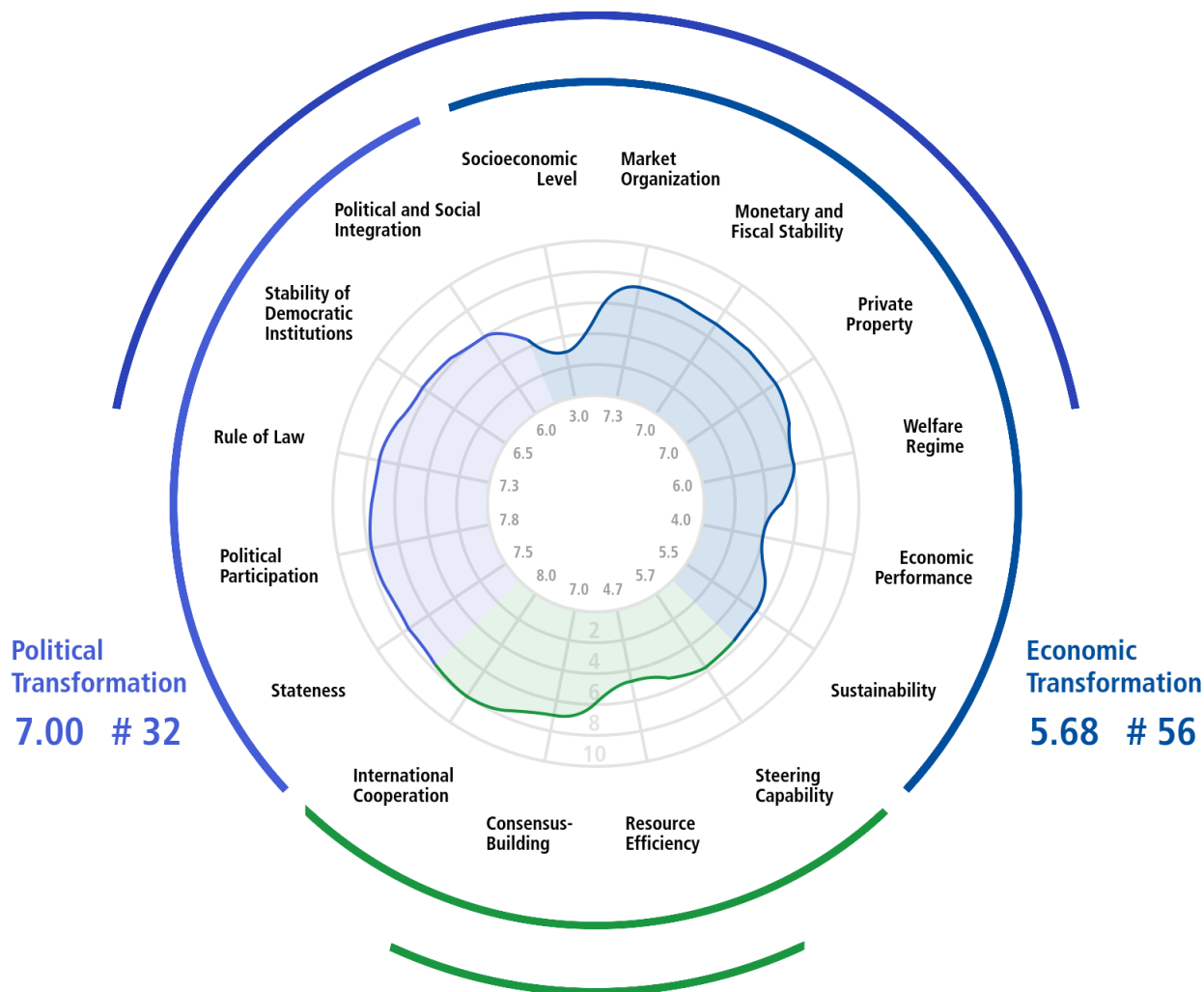


# South Africa

## Status Index

**6.34 # 39**

on 1-10 scale out of 137



**Political Transformation**  
**7.00 # 32**

**Economic Transformation**  
**5.68 # 56**

## Governance Index

**5.48 # 38**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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## Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Strasse 256  
33111 Gütersloh  
Germany

### Sabine Donner

Phone +49 5241 81 81501  
[sabine.donner@bertelsmann-stiftung.de](mailto:sabine.donner@bertelsmann-stiftung.de)

### Hauke Hartmann

Phone +49 5241 81 81389  
[hauke.hartmann@bertelsmann-stiftung.de](mailto:hauke.hartmann@bertelsmann-stiftung.de)

### Sabine Steinkamp

Phone +49 5241 81 81507  
[sabine.steinkamp@bertelsmann-stiftung.de](mailto:sabine.steinkamp@bertelsmann-stiftung.de)

**Key Indicators**

Population	M	<b>59.9</b>	HDI	<b>0.713</b>	GDP p.c., PPP \$	<b>15905</b>
Pop. growth <sup>1</sup>	% p.a.	<b>0.8</b>	HDI rank of 189	<b>109</b>	Gini Index	<b>63.0</b>
Life expectancy	years	<b>62.3</b>	UN Education Index	<b>0.758</b>	Poverty <sup>3</sup>	% <b>40.0</b>
Urban population	%	<b>68.3</b>	Gender inequality <sup>2</sup>	<b>0.405</b>	Aid per capita \$	<b>17.5</b>

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

Amid challenging economic circumstances, declining living standards, and a government struggling to meet the basic needs of a society deeply afflicted by systemic poverty, inequality and unemployment, the legitimacy of the South African state is coming increasingly under question. Levels of trust in key government institutions are at historic lows, with individuals who can afford it opting for their costlier equivalents in the private sector.

Like other emerging economies, South Africa's economy is exposed to mounting uncertainty and volatility on the global front. Due to self-inflicted weaknesses, it lacks the fiscal and institutional resilience shown by many of its peers in meeting these challenges. The growing conflation of the ruling party and the state has led over time to a systemic weakening of institutional checks and balances. Scarce resources are thus being wasted, and many state institutions have been stripped of their capacity to execute their mandates. The spiraling decline of state-owned enterprises has become a particular source of concern, as their failure serves as a major drag on the economy's capacity to grow.

Amid these failures, South Africa lost its international investment-grade credit rating from major ratings agencies in 2020, and in 2023, its financial system was gray-listed by the Financial Action Task Force (FATF) for offering insufficient protection against money laundering.

Cyril Ramaphosa's rise to power in 2018, following the disastrous administration of his predecessor, Jacob Zuma, was met with widespread approval. Despite his previous role as deputy president under Zuma, Ramaphosa was seen as a practical reformer. However, his presidency has since left many disappointed. Rather than being regarded as pragmatic, he is now criticized by a considerable number of his former supporters for his lack of decisiveness, ineffectiveness and failure to tackle the underlying issues affecting the country's governance problems.

Thus far, his tenure has been marked by missed opportunities. In June 2022, the Zondo Commission of Inquiry into Allegations of State Capture released the final installment of its report documenting its findings on suggestions that large parts of the South African state had been repurposed with the sole intent of favoring a coterie of individuals within the public and private sectors closely linked to former President Jacob Zuma. While the report has implicated several senior members within the ANC, Ramaphosa has failed to show leadership in acting decisively against these members who continue to retain senior positions. In the face of the delicately poised nature of factional politics within the party, Ramaphosa has also lacked the courage to act against underperformers in key ministries, such as the ministries of Minerals and Energy and Public Enterprises. Even after his reelection as party president in December 2022, his failure to lead decisively has left many perplexed.

As governance failures to act in the present and prepare for the future persist, preliminary polls indicate that the ruling ANC may lose its outright majority in parliament in the 2024 general elections. Some polls place current ANC support between 40% and 50%, while others even go below 40%. Ceding power could have broad-ranging implications for governance, as many senior public officials are senior ANC figures. The 2024 elections will also be contested under an amended Electoral Law, after a 2020 Constitutional Court ruling declared the existing law unconstitutional and instructed the government to amend it to provide for the participation of independent candidates at the national level.

In light of the above issues, there is an increasingly urgent need for governance reform able to reinvigorate the country's constitutional checks and balances. Amid multiple challenges to the cohesion of South African society, it has become vital to restore trust in the capacity and independence of the state.

## History and Characteristics of Transformation

The Union of South Africa came into being in 1910, following the Peace of Vereeniging that concluded the South African War. This war was fought between the Boer republics of the Orange Free State and the South African Republic on one side and the British colonial territories of the Cape Colony and Natal on the other. It was a war of attrition, culminating in a scorched earth policy against the Boer farming community and the use of concentration camps, which eventually led to their surrender.

Black or “native” South Africans were largely excluded from political rights, and the Union continued many of the racially exclusionary policies of colonialism. One of the Union of South Africa's first major acts of dispossession toward indigenous South Africans was the Land Act of 1913, which led to a massive campaign of expropriation of land from its previous owners. This act set in motion one of the major sources of intergenerational poverty in the country. In response to the creation of the Union, a number of internal resistance movements, such as the African National Congress (ANC, 1912), emerged to resist the oppression of Black South Africans.

Apartheid, the system of legislated segregation and separate development, was introduced when the conservative Afrikaner party, the National Party (NP), won the 1948 elections. Based on the notion of separate development, the National Party allocated parcels of land to indigenous cultural groupings in less developed rural areas of the country. Within these territories, later known as “homelands” and governed by political acolytes of the apartheid government, Black South Africans were able to exercise their political rights. In the rest of South Africa, however, they were stripped of their political and economic rights, and their movement was severely restricted by the pass-law system. Internally and internationally despised for the crudeness of this system, which the United Nations labeled a crime against humanity, the country became increasingly isolated.

During the 1980s, internal resistance against the regime further intensified and was coordinated by the United Democratic Front in partnership with the ANC’s leadership in exile. At the same time, economic sanctions against the apartheid regime intensified, resulting in its inability to obtain international finance. In 1985, a state of emergency was announced by the then Prime Minister Pieter Botha, resulting in intensified curbs on the freedom of movement of Black South Africans and the deployment of the South African military in the townships where the greatest resistance against the regime was experienced.

During the late 1980s, the crumbling of the former Eastern Bloc, and specifically the Soviet Union, played a catalytic role in ending the South African conflict and the conflicts on the Namibia and Angola border. South Africa had presented itself as a bulwark against communism in Africa, while the Eastern Bloc states were major supporters of the ANC. Therefore, the demise of these states had significant consequences for the future strategies of both the liberation movement and the apartheid state. Neither side was able to sustain the armed struggle indefinitely, leading to the circumstances necessary for a negotiated settlement. The process began with the lifting of the ban on liberation movements and the release of political prisoners, which were announced during former President F.W. de Klerk’s opening speech in parliament on February 2, 1990.

What followed was a broad-ranging negotiation, resulting in the creation of an interim constitution and the first nonracial democratic elections in 1994. In that year, South Africa held its inaugural democratic elections, allowing all adult citizens from all race groups to vote as equals. The ANC secured a landslide victory, with Mandela serving as the first democratic president and overseeing a government of national unity comprised of the ANC, the New National Party and the Inkatha Freedom Party. This government lasted until 1996, when the New National Party, led by De Klerk, departed from the government of national unity.

After achieving political liberation, the country’s major challenge has become the removal of the structural barriers to the economic liberation of the majority of South Africans. To date, progress has been limited. Key basic services have been extended to millions of historically disadvantaged communities, and millions now benefit from government support through pensions and various social grants. However, reforms have thus far failed to create a labor-intensive economy in which South Africans can develop their economic agency independently of the state. A third of the labor force is unemployed, reinforcing intergenerational poverty and inequality. Therefore, managing the expectations and patience of marginalized communities over time will remain a challenge for the South African government.

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

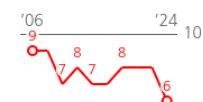
The South African state's monopoly over the use of force is entrenched, but in practice, it is challenged at various levels. Each of these is due to varying degrees of maladministration, low skill levels and corruption. Some institutions have been influenced or infiltrated by organized crime elements. As such, their capacity to defend and enforce the basic tenets of the South African Constitution and its related Bills of Rights is highly compromised. Much of the damage within this realm occurred during a period of intense state capture that coincided with the presidency of Jacob Zuma. However, the endemic nature of the problem endures. In a country characterized by high levels of violence and crime, this lack of legitimacy translates into public life in various ways. Citizens who can afford it rely on private security companies for their safety. In poor urban areas, gangs more often than not control territories and receive support from communities in return for protection, while tribal lords fulfill similar functions in rural areas. Although still a fringe phenomenon, some within the Western Cape Province have suggested the possibility of secession.

The legitimacy of the nation-state is widely accepted. While many of the country's historical divisions still manifest in terms of the tolerance levels that the historically defined population groups have toward each other's cultures and practices, the vast majority within each of these groups accepts the legitimacy of the democratic nation-state. In theory, access to citizenship and naturalization is extended to all who seek to obtain them, in line with globally accepted norms that uphold basic human rights. However, levels of tolerance within society as a whole, particularly toward migrants from other parts of the African continent, do provide cause for concern. Over the past two decades, migrant communities have experienced xenophobic attacks, often resulting in widespread violence that ranges from property destruction to loss of life.

Question  
Score

Monopoly on the  
use of force

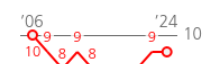
6



\_\_\_\_\_ 1

State identity

9



\_\_\_\_\_ 1

While levels of religiosity in South Africa are high, the state has retained its secular culture. The rule of law prevails, and its application is divorced from any allegiance to specific religious communities. For example, the South African constitution allows abortion but disallows capital punishment. Additionally, the country was one of the first to legalize same-sex marriages. However, this does not mean that religious groups have no influence in shaping public life or the choices of legislators. With a predominant Christian community, as well as smaller Muslim, Hindu and Jewish communities, the majority of South Africans hold morally conservative values. As a result, political parties ensure that they align with such values. Many parties, for example, seek to obtain the endorsement of the Zionist Christian Church (ZCC), which is the largest single religious community in South Africa, incorporating elements of Christian and indigenous religious practices.

The past decade has witnessed a significant deterioration in the coverage and quality of basic services. Instances of poor and crumbling transport infrastructure and sewage treatment facilities, and the inability to provide regular and clean running water, were once primarily limited to rural areas and poor provinces such as the Eastern Cape. However, these issues are now increasingly prevalent in large metropolitan areas, including Johannesburg, Durban, Cape Town and Pretoria. In 2022 and 2023, South Africans have experienced daily electricity blackouts lasting up to 12 hours, which have become a routine part of life. These blackouts are a result of poor administration, underinvestment and corruption within and connected to Eskom, one of several failing state-owned entities surviving solely on government bailouts. In Johannesburg, the largest metropole in the country, residents have also faced extended cuts in water provision to various parts of the city. In rural areas, communities have taken it upon themselves to repair basic infrastructure and fix potholes. The infrastructure of the Passenger Rail Agency of South Africa (PRASA) is also on the brink of collapse. Intercity passenger rail services have become almost nonexistent, and the majority of routes for urban commuter rail have been eliminated due to the looting and sabotage of stations, trains and signaling equipment. To commute to work, most South Africans are forced to rely on the country's dangerous minibus taxi system. At the core of these failures lies extremely poor management.

## 2 | Political Participation

South Africa has a proportional representation (PR) system at the national and provincial levels and a mixed-member proportional representation (MMPR) system at the municipal level. In practice, this means that at the national and provincial levels, voters vote for parties, and parties get the opportunity to nominate candidates to represent them in the respective legislatures in proportion to the votes they receive. As such, legislators owe their positions to the party and not directly to voters in constituencies. At the municipal level, the MMPR system provides for two votes: one for a party (PR) and another directly for a candidate within the ward where the voter resides.

No interference of religious dogmas

9



1

Basic administration

6



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Free and fair elections

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Since 1994, the Independent Electoral Commission (IEC) has overseen the conduct of six national elections and an equal number of municipal elections. Over this period, all elections were deemed generally free and fair, and no significant challenges were raised against the final results.

The reasons for this are many, but generally revolve around the government's failure to address the triple nexus of poverty, inequality, and unemployment on a large scale that would result in social transformation. Part of this can be attributed to their deeply rooted and interconnected nature, which can be traced back to apartheid and colonialism. There is evidence of widespread mismanagement and corruption on a massive scale. The latter has depleted the national budget and severely weakened important public institutions and state-owned businesses to the point where the government is not well equipped to address the desperate situation of its citizens, especially in light of the devastating impact of COVID-19 on the economy and society as a whole.

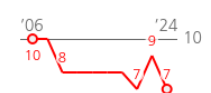
The case for the majority of institutions measured, including the Independent Electoral Commission (IEC), shows a decline in public trust from 56% in 2006 to 26% in 2021. Moreover, respondents' faith in the freeness and fairness of elections has decreased from 52% to 39%.

While the ANC is still seen by its supporters as a liberation movement, the official opposition party on the right of the ANC, the Democratic Alliance (DA), has not yet managed to convince large portions of Black voters of its ability to be an inclusive, non-racial party. On its left, the more radical Economic Freedom Fighters (EFF) manage to capture the limelight, particularly due to its charismatic leader, Julius Malema. However, in a decidedly conservative society, the EFF's posturing has not translated into significant voter support to date.

Given the African National Congress's substantial electoral majority since the country's democratic transition in 1994, it has had a clear mandate to govern from the electorate. Apart from having to balance the interests of various societal groupings, such as business, civil society, and the labor movement, the only major constraint on its capacity to govern decisively has come from inside its own ranks. As a party that is home to various ideological persuasions, there is consistent competition amongst these groupings for control over the levers of power. Those who control the ANC control the party. As a result of this internal factionalism, which, due to the party's policy on cadre deployment, has resulted in extended patronage networks in the civil service, policy implementation has been challenging. Consequently, a lack of long-term consistency has characterized key policy areas, such as macroeconomic policy. Governance outcomes that affect citizens are therefore beholden to the factional machinations of the party.

Effective power to govern

7



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During the presidency, the party's dominance was exploited by several key actors in business, most notably the notorious Gupta family, who provided patronage to the Zuma faction. By controlling the dominant faction of the ruling party, these actors effectively captured the state and had significant influence over policy and the appointment of key decisionmakers. Consequently, the hollowing out of the state has imposed significant constraints on its capacity to govern, which continue to persist to this day.

Section 18 of the South African Constitution's Bill of Rights guarantees freedom of association to all who find themselves within the borders of the country. This right is generally respected by authorities at the national level, provided that the necessary authorization has been obtained and that general rules and regulations related to meetings or gatherings are being observed. There have, however, been exceptions to this rule. In 2012, the South African police gunned down over thirty unarmed protesting miners at the Marikana mine, located outside the city of Rustenburg, in what has become known as the Marikana Massacre. Additionally, several members of the Abahlali baseMjondolo shack dwellers movement have fallen victim to apparent political assassinations over a period of more than a decade. Only in 2022 were three such assassinations reported. The movement, which positions itself as a voice for residents of impoverished informal settlements, has frequently found itself at odds with local governments since its inception. Specifically, local ANC branches have viewed Abahlali as a threat to their authority in the communities they govern.

Section 16 of the South African Constitution's Bill of Rights enshrines freedom of expression as a core value of South Africa's democracy. Laws have been enacted accordingly to protect this right within the parameters of the Constitution. These laws allow for far-reaching criticism of public officeholders and powerful social interest groups, but equally protect all citizens and interest groups against libel or hate speech.

The South African media robustly exercises its right to freedom of expression and should largely be credited for exposing instances of major wrongdoing in the public and private sector. It has, for example, been pivotal in unearthing some of the most gratuitous instances of state capture during the reign of former President Jacob Zuma. During this period, many journalists within the private and public media realms were harassed by those close to Zuma and his associates. Specific pressure was exerted upon the public broadcaster to toe the line, and some journalists had to seek protection following death threats.

While larger media interest groups have generally been struggling from a financial point of view, new forms of independent media have emerged. Podcasts by leading thinkers and public figures are playing an increasingly influential role in providing a platform for in-depth discussion and shaping of opinion on topical issues. While such forms of media contribute to a diversity of views, not all conform to established media ethics and could contribute to social polarization as they have done in countries such as the United States.

Association /  
assembly rights

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Freedom of  
expression

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### 3 | Rule of Law

The South African Constitution provides for a clear separation between the legislative, executive, and judicial arms of the state. In addition, Chapter 9 of the Constitution also includes a set of institutions that have the mandate to protect the country's constitutional democracy. Implicitly, this mandate also includes ensuring a separation of powers between the different arms of the state. These institutions consist of the South African Human Rights Commission, the Public Protector, the Auditor-General, the Independent Electoral Commission, the Commission for Gender Equality and the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities. These constitutional provisions and the related institutions were established as institutional checks and balances to counter any disproportionate influence or abuse by individual arms of the state.

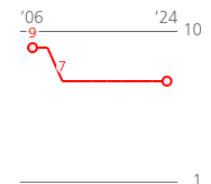
In practice, however, commitment to this principle throughout the governance system has been weak, resulting in a blurring of lines, particularly between the legislative and executive branches of the state, and largely to the detriment of the integrity of its judicial branch. Many plausibly argue that the country's current economic and governance woes can largely be traced back to the system's inability to ensure transparency and accountability.

The weakness of state institutions – which was further exacerbated during the Zuma presidency, when it was pursued with directed intent – was a major enabling factor for the extent to which the state was captured by outside interests. By capturing the dominant faction of a dominant party, which has already blurred the lines between state and party, these interest groups had virtual free reign in terms of enriching themselves through government contracts. Moreover, state institutions were used to wage factional battles within the ruling party. All of this occurred while the ANC-dominated parliament remained silent on abuses that were increasingly difficult to ignore.

While courts have retained their independence during this period, they have struggled under the administrative burden created by a weak criminal justice system. In addition, they have also been burdened by the inability of oversight institutions to execute their mandate, resulting in instances where their rulings have inevitably had polarizing consequences for society.

Separation of powers

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Since the country’s political transition in 1994, the South African judiciary has remained fiercely independent in executing its mandate without fear or favor. It has not hesitated to assert itself in terms of making findings against institutions such as Parliament, various ministries, and even the Office of the President.

The judiciary consists of Magistrates Courts across many towns and cities in all nine provinces, High Courts in cities, the Supreme Court of Appeal in Bloemfontein – the judicial capital of South Africa – and the Constitutional Court, the apex court, in Johannesburg. The president appoints judges for each court on the recommendation of the Judicial Service Commission (JSC), except for the Magistrates Courts, where the Magistrates Commission is responsible for appointments. JSC membership is determined by parties represented in parliament and is composed of judges, advocates, the minister for justice, and several members of parliament.

While executing its mandate in line with constitutional provisions, the judiciary is being hampered by deficiencies and weaknesses elsewhere in the governance system. High levels of crime and weakened investigative and prosecutorial capacity result in excessive caseloads that put strain on the system to deliver justice in an expeditious manner. Because courts can only pronounce on the evidence before them, their judgments are frequently criticized due to shortcomings within investigative and prosecutorial agencies.

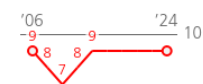
Given the blurring of lines between the legislative and executive branches of the state, as well as the weak levels of trust that exist between them, South African courts are frequently drawn into disputes of a political nature that could have been settled in other parts of the system.

South African law enforcement agencies continue to have an extremely weak track record in the prosecution of alleged crimes committed by senior officeholders in the legislative and executive arms of the state. In the eyes of many South Africans, the perception exists that different rules apply to those who are politically connected to those in power. In the latest round of the Afrobarometer Survey for South Africa, 75% of respondents indicated that the South African government is either doing “very badly” or “fairly badly” in the fight against corruption; 64% said that the situation is deteriorating; and 71% said officials “always” or “almost always” get away with corruption.

While the period of state capture under the presidency of Jacob Zuma did massive damage to the legitimacy and capacity of key oversight institutions and law enforcement agencies, previous administrations cannot escape blame for creating the enabling circumstances that allowed this to happen. The convergence of factors such as cadre deployment, weak legislative oversight, and appointments based on party and factional loyalty rather than merit institutionalized weak oversight and poor accountability.

#### Independent judiciary

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#### Prosecution of office abuse

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The NPA has indicated that more such arrests are due to take place in 2023. This will go a long way in restoring faith in the country's law enforcement agencies. However, to date, there have been no arrests or prosecutions of politicians implicated by the Zondo Commission. There is a distinct lack of political will to see genuine accountability enforced, in part because the number of officials in high office who are themselves likely guilty of serious offenses has grown.

Given South Africa's extensive history of colonial domination and apartheid, the South African Constitution makes extensive provisions for the protection of civil rights in its Bill of Rights.

To ensure their implementation, Chapter 9 of the constitution includes provisions for the establishment of independent institutions that safeguard these and other constitutional rights. Referred to as Chapter 9 Institutions, these include the South African Human Rights Commission (SAHRC), the Public Protector, the Commission for Gender Equality, the Auditor-General, the Independent Electoral Commission (IEC), and the Commission for the Promotion and Protection of the Rights of Cultural, Religious, and Linguistic Communities.

The SAHRC is responsible for the Equality Courts, which specialize in individual or collective cases of discrimination and civil rights abuses, while the Public Protector is largely responsible for providing legal oversight on national democracy. The Commission for Gender Equality is perhaps the least prominent of these institutions, while the Auditor-General's investigations into financial management have provided crucial evidence of the scale of misappropriation, particularly at a municipal level. Chapter 9 institutions are important for dealing with civil rights violations, although their performance is uneven, but legal protections for civil rights are insufficient in a country marked by stark inequalities and a violent past.

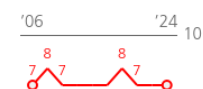
#### 4 | Stability of Democratic Institutions

South Africa is a unitary state with strong federalist characteristics. Democratic institutions exist and operate at the national, provincial, and local levels. The broader system itself is grounded, in principle, in the doctrine of separation of powers.

In practice, however, the majority of public institutions in all spheres of government are weak, under-resourced, and lack the capacity to execute their respective mandates. While there are exceptions, such as the National Treasury at the national level, the Western Cape Provincial Government at the provincial level, and a few local governments across the country, quality and efficacy in the delivery of services by democratic institutions are the exception rather than the rule. Using the metric of financial administration, the Auditor-General's (AG) 2022 report on national and provincial audit outcomes, for example, shows that only 26% of the 111 government departments and entities had clean audits. For local governments, the corresponding figure was 16%. In terms of the latter, the majority of clean audits were obtained by municipalities governed by the official opposition, the Democratic Alliance (DA).

#### Civil rights

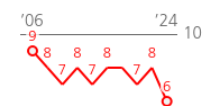
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#### Performance of democratic institutions

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The dismal state of these institutions – afflicted by high levels of maladministration and corruption, as well as low skills levels – can largely be attributed to a lack of practical commitment to the doctrine of the separation of powers. The lines between the dominant ruling party and the state have become increasingly blurred over the past three decades. Not only have individuals been appointed to key positions across the public service based on their loyalties rather than their competencies, but, as evidence before the Zondo Commission has shown, the party has also directly benefited as a result of the awarding of public tenders. Once again, evidence before the Zondo Commission suggested that the South African Secret Service and other law enforcement agencies have actively participated in factional battles within the ruling party. As a result, billions of rands were wasted on party conflicts rather than on protecting the integrity of the state. The grotesque nature of such malfeasance was only possible because of the weak oversight and accountability systems that did not safeguard the separation of powers. Because the patronage systems metastasized across the legislative and executive arms of the state, those in many key positions were motivated to prioritize the interests of the party over those of the state.

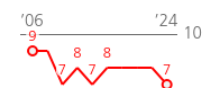
The one exception in this regard has been the judiciary, which has largely remained insulated from the capture of the state. In the absence of functional oversight and consensus-seeking institutions, it inevitably, however, had to pronounce on political matters, which should ideally have been dealt with elsewhere in the system. As a result, the judiciary has struggled to remain elevated above the realm of politics. Quite concerningly, members of the Judicial Services Commission (JSC), a parliamentary body responsible for the appointment of judges and consisting of members of parliament, have in recent years focused their questioning of candidates on perceived political partisanship rather than judicial competence.

While most of the major actors remain committed to a system of democratic governance and the rule of law, there are occasionally those on the left of the ANC and some within the ANC itself who argue that the South African Constitution perpetuates the privileges of affluent, mostly white South Africans. Such views are also frequently repeated by former President Jacob Zuma and those within his sphere of influence who are facing prosecution on state capture-related charges.

While such views are not widely held among policymakers and the leaders of interest groups, such as business and labor, there is growing dissatisfaction among ordinary South Africans with the efficacy of the system. While the majority of respondents to the most recent Afrobarometer Survey have indicated their preference for a democratic system of governance, close to two-thirds have also indicated that they would agree to a government led by a strong and unaccountable leader who can deliver on key areas, such as housing, health, and employment, in the absence of an efficient democracy.

Commitment to democratic institutions

7



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## 5 | Political and Social Integration

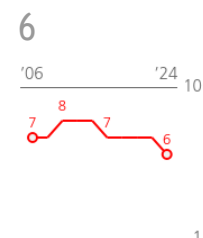
The party system is socially rooted but increasingly falls short in terms of aggregating and articulating the diversity of social interests. The latter is evident in the substantial decline in voter participation across successive elections at the national, provincial, and municipal spheres of government, as well as the rise in violent protests that have occurred since the latter part of the 2000s. During the 2021 round of the Afrobarometer Survey, 71% of respondents indicated that they have little or no trust in the ruling ANC, while 72% responded that they do not trust opposition parties to articulate their interests. These findings seem to underscore the contention that the vast majority of adult South Africans do not feel that a viable representative of their interests exists within the current spectrum of political parties. The majority of eligible voters do not approve of the ANC but also do not feel that opposition parties offer feasible alternatives.

Arguably, one of the main reasons for this has been the impact of the PR system at the national and provincial levels, whereby legislators are nominated by parties in proportion to the party's influence and not directly elected by voters. As such, the system incentivizes loyalty to the party – which compiles the party list – rather than to the electorate. Parties, in turn, are more easily swayed by the interests of their benefactors than by the actual needs of their voters.

This weakness has been compounded by the substantial electoral majority that the ruling party has enjoyed, despite the significant decline in support from the voting-age population. Consequently, the national parliament, in particular, has frequently failed in its oversight duties. Despite ample evidence of state capture during the Zuma presidency, nearly the entire parliamentary caucus of the ANC, including the current president, Cyril Ramaphosa, has obstructed efforts to sanction such actions. In one instance related to the public funds used for the upgrading of Zuma's private home, the Constitutional Court found the parliament negligent in the execution of its oversight duties.

The impunity with which parties act continues to persist at the expense of the broader public. During the 2021 municipal elections, the ANC lost control of several of the country's largest metropolitan areas, including the economic hub Johannesburg, where the Democratic Alliance (DA) received the majority of votes, albeit not an outright majority. Although the latter has managed to put together ruling coalitions with smaller parties, the primary occupation of the ANC and other parties outside of the coalition has been to unseat the DA. A first attempt failed in 2022 when a court declared a no-confidence vote in Mayor Mpho Phalatse procedurally incorrect.

Party system



Given the country's rich history of racial discrimination and social fragmentation, trust between key stakeholders within society remains low, often resulting in winner-take-all outcomes instead of a broad consensus about national priorities and the means to achieve them. In addition to the internal factionalism of the ANC, this broader social fragmentation among key social partners frequently hinders decisive action on key policy areas. Consequently, many commentators continue to call for a broader social compact among all stakeholders to collectively address the deep structural challenges that keep the country trapped in a low-growth trajectory to the detriment of the majority of South Africans.

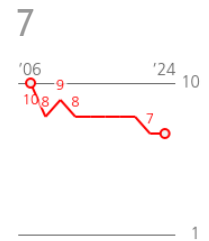
The National Economic Development and Labour Council (NEDLAC) is a statutory body that facilitates organized consultation between the government and the key social partners of business, labor, and civil society.

While it has fulfilled its role as a consultative platform since the country's political transition in 1994, it remains an underutilized resource - often ignored by the key partners - resulting in outcomes agreed upon outside of NEDLAC. Differences between labor and government were typically settled within the alliance, causing business to perceive them as a unified front that they would confront within NEDLAC. Consequently, much of the negotiations between stakeholders took place outside the Council.

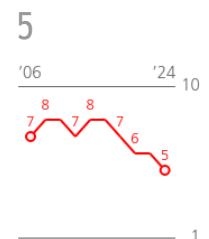
NEDLAC has also played a limited role in terms of representing civil society interests.

Approval of democratic norms and procedures has been declining consistently. In 2011, 72% of Afrobarometer Survey respondents indicated a preference for democracy over any other form of governance. Since then, responses have followed a downward trajectory in successive surveys, reaching a new low of 40% in 2021. This coincided with a concurrent increase in approval for the statement that parliament and elections can be abolished in favor of a president who can take more decisive action on key policy issues. While this still represents a minority, the percentage of respondents who approved increased from 15% in 2011 to a quarter of respondents (25%) in 2021. During the same period, trust in key public institutions has continued to decline. For example, respondents who trust parliament have halved from 54% in 2006 to 27% in 2021. Equally concerning from a rule of law perspective has been the decline in trust in the judiciary from 69% to 42% during the same period.

Interest groups



Approval of democracy



South Africa remains a deeply divided society, with the legacy of decades of apartheid and centuries of colonialism, discrimination, and subjugation still visible in almost all facets of everyday life. Although it underwent a political transformation in 1994, when the statutory grounds for discrimination were removed, a broader social transformation that guarantees not only equality and inclusivity in theory but also in practice has not materialized. This can largely be attributed to the inability of the post-apartheid state to alter the structural and intertwined challenges presented by poverty, inequality, and unemployment. As such, privilege and prosperity continue to have a distinct racial character, mirroring the patterns of economic distribution under apartheid, with a far smaller proportion of whites being poor and unemployed than their Black countrymen and women. These same dynamics continue to reinforce the geography and settlement patterns of apartheid.

There are exceptions in the upper-middle and affluent social classes, where a degree of integration has occurred. This has, by and large, been a function of employment and access to quality education. In light of the country's high unemployment levels, such opportunities for deeper integration remain constrained.

In light of these dynamics that shape contact and integration, social capital, trust, and the resultant self-organization largely occur within culturally homogenous spaces, within the same social class, and at the local level. There are very few cross-cutting issues around which all South Africans rally. Consequently, even action addressing endemic corruption, as well as the government's disastrous record on policies related to energy, health, and the creation of an environment conducive to economic growth, often becomes racialized, leading to a fragmentation of citizen power.

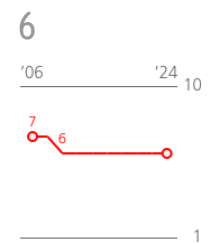
## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Poverty and inequality levels in South Africa are high, deeply racialized, and intergenerationally transferred. This is largely reinforced by an official unemployment figure exceeding one-third of the labor force (excluding discouraged jobseekers) and an expanded figure of 44% (including discouraged jobseekers). Approximately 80% of those who are officially unemployed fall into the long-term unemployed category, comprising workers who have been unable to secure employment for over a year. From another standpoint, merely 39% of all working-age South Africans are employed in either the formal or informal sector.

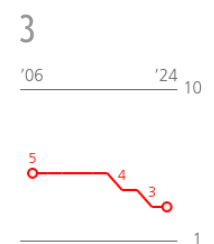
Such low unemployment levels are largely supported by a poorly performing primary and secondary public education system, which performs even worse in historically disadvantaged Black communities. The failings of the public education system have been worsened by its politicization, resulting in a decrease in passing criteria for the

### Social capital



### Question Score

### Socioeconomic barriers





final year in secondary schools to an average of 30%. Not only does the failing public school system contribute to the mismatch between the skills demanded and supplied in the economy, but the quality of its qualifications also fails to indicate competence to enter the higher standards of the tertiary education system. The combination of these factors contributes to a situation where approximately 30% of South African youth (aged 15 to 35) are not employed, educated, or in training.

As a result, this nexus between poor education and low levels of employment reinforces historically entrenched patterns of structural poverty and inequality, which are most adversely felt by poor communities. Within these communities, there is, in turn, a very strong gender dimension, with higher levels of female poverty and unemployment.

Given their irregular capture, there is a lag between official poverty and inequality statistics and the actual reality on the ground. Available statistics, for example, do not account for the devastating impact that the COVID-19 pandemic has had on the economy and the livelihoods of South Africans. The most recent official study into poverty trends by Statistics South Africa in 2015 showed that, although poverty levels had decreased across the food poverty, lower-bound, and upper-bound lines between 2006 and 2011, the figures for the respective poverty metrics had risen again by 2015 to 55.3% of South Africans living below the country's upper-bound poverty line.

In terms of income inequality, South Africa's GINI coefficient – a broadly used international metric for inequality – stood at 0.64. However, this figure obscures much of the nuance in income distribution patterns. Drawing on income tax data from 2003 to 2016, Bassier and Woolard, in a 2018 paper, show that in terms of income inequality, 60% of South Africans are zero-income earners. They also demonstrate that income growth for the country's top 5% of income earners has increased at three times the rate of growth national income (GNI), while the remaining 95% experienced stagnated incomes.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	388531.2	337619.6	419015.6	<b>405869.7</b>
GDP growth	%	0.3	-6.3	4.9	<b>2.0</b>
Inflation (CPI)	%	4.1	3.2	4.6	<b>7.0</b>
Unemployment	%	25.5	24.3	28.8	<b>29.8</b>

Economic indicators		2019	2020	2021	2022
Foreign direct investment	% of GDP	1.3	0.9	9.7	<b>2.3</b>
Export growth	%	-3.4	-11.9	10.0	<b>7.5</b>
Import growth	%	0.4	-17.4	9.5	<b>14.2</b>
Current account balance	\$ M	-10200.4	6701.4	15500.5	<b>-1697.6</b>
Public debt	% of GDP	56.1	68.9	68.8	<b>71.1</b>
External debt	\$ M	190735.2	175411.4	170015.4	-
Total debt service	\$ M	21426.9	27813.6	26637.0	-
Net lending/borrowing	% of GDP	-5.8	-9.9	-5.1	-
Tax revenue	% of GDP	24.9	23.3	25.9	-
Government consumption	% of GDP	19.7	20.8	19.6	<b>19.6</b>
Public education spending	% of GDP	5.9	6.2	6.6	<b>6.2</b>
Public health spending	% of GDP	4.8	5.3	-	-
R&D expenditure	% of GDP	0.6	-	-	-
Military expenditure	% of GDP	0.9	1.0	0.8	<b>0.7</b>

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

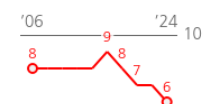
## 7 | Organization of the Market and Competition

The pursuit of fair competition in South Africa has two important dimensions. The first is to ensure a diversified economy where dominant actors do not preclude access to markets. Until the early 1990s, these markets were highly concentrated and controlled by fewer than 10 large conglomerates with interests across all spheres of the South African economy. The second dimension has been to rectify racial imbalances in ownership and control. This is a legacy of apartheid, which excluded South Africa's Black majority from economic participation and ownership.

Some progress has been made in terms of competition legislation and its enforcement, leading to a reduction in the concentration of power in certain sectors. However, there still exists a significant level of interconnectedness among some of the largest corporate entities in the country, either through shareholding structures or historical ties to major conglomerates. This historical dominance is particularly evident in industries such as mining, insurance, banking, and media.

Market organization

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In addition to private sector dominance, there are also prominent players in the public sector in the form of state-owned enterprises. These entities hold monopolies in sectors such as energy and transport, but unlike their private sector counterparts, they face significant challenges in terms of management and performance. Furthermore, they have been a financial drain on public resources. Of particular concern are entities like Eskom, the national energy provider, and Transnet, the national rail freight transport provider, as their dysfunctional nature poses a serious threat to the overall health of the South African economy.

However, not all state-owned enterprises present a burden to the South African taxpayer. For example, Telkom, the formerly state-owned telecommunications enterprise that has since been privatized, operates as a traded going concern and does not rely on public funds. Despite clear evidence of the benefits of privatization, the ruling party has shown ideological dogmatism and insisted on retaining control of critical infrastructure.

While the stated intention of such legislation has been noble, it has frequently led to distortions and perversions of the original objectives. In investment circles, the additional bureaucratic burden in the attainment and reporting of employment equity targets is bitterly complained about. Most criticism, however, has been leveled at the B-BEE Act's apparent inability to broaden Black ownership and participation in the formal economy. Instead, many have pointed to its limited pool of beneficiaries, who in several instances happened to be high-level ANC officials or have nurtured close political ties through donations to the party. These donations, in turn, came from the proceeds of public tenders that were awarded to said companies.

In terms of the B-BEE Commission's latest report in 2019, 29% of companies on the Johannesburg Stock Exchange (JSE) have Black majority ownership, 39% report Black management control, and 44% report Black board control. However, only 2% of companies are wholly Black-owned.

It can be asked more broadly how these figures translate to improved economic prospects for Black South Africans in the labor market. This may be challenging to accurately gauge; however, the third quarter results of Statistics South Africa's Quarterly Labour Force Survey (QLFS) do offer some guidance in this regard. According to the official definition that excludes discouraged jobseekers, 36% of Black South Africans are unemployed. This figure represents 88% of the total number of formally unemployed South Africans.

Antitrust and competition policies exist and are being enforced in accordance with the provisions of the Competition Act of 1998, as amended in 2018. The Competition Commission is proactive in implementing the Act's mandates.

It operates in a country that has a long history of dominant monopolies controlling large portions of the economy. Until the late 1980s, for example, an estimated seven conglomerates controlled around 80% of companies on the Johannesburg Stock Exchange. Even today, many companies are still affiliated with these entities through shareholding structures or historical ties that have been severed.

In present-day South Africa, a few key players continue to exert control over certain sectors, including banking, finance, mining, and media interests. Additionally, new monopolies have emerged in areas such as telecommunications, with a small number of mobile phone providers dominating the market.

Within the public sector, the government holds a monopoly on various sectors, including energy, freight rail, commuter rail, and ports, through its state-owned enterprises (SOEs). Unfortunately, these SOEs are poorly managed, resulting in a drain on state finances and a failure to meet their intended developmental goals. Despite widespread calls for increased private sector involvement and ownership, the government is reluctant to relinquish control over these struggling entities. This resistance to change is particularly evident in the case of Eskom, the sole provider of energy in the country, as the public has been burdened with significant rate hikes despite a decline in service quality.

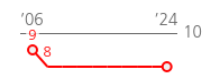
South Africa has a small and open economy, accounting for 0.7% of global GDP. It is significantly exposed to the global economy and heavily reliant on imports for consumption, as well as exports that create jobs and stimulate production. This stance primarily stems from extensive trade liberalization measures implemented after the lifting of externally imposed trade and finance barriers upon South Africa's readmittance into the global economy following the abolition of apartheid.

As the world enters a period of geopolitical fragmentation and polarization, and as signs of decoupling in the global economy are mounting, there is a growing sense that the gains of globalization in recent decades may be reversed by a growing push for protectionism. Industrial policy has returned to the agendas of developed, affluent economies, as has the imposition of subsidies to protect domestic industries. Developing countries, such as South Africa, may have no choice but to reciprocate in order to retain their competitiveness, provided they have the fiscal space to engage in contests of this nature.

Such measures will, however, have far-reaching cost-of-living implications for South African consumers, who are largely dependent on imported goods, in the absence of a domestic manufacturing sector that can readily supply comparable goods to the local market.

#### Competition policy

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#### Liberalization of foreign trade

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South Africa has a well-regulated and established banking sector, governed by the Banking Act of 1990 and other subsidiary legislation. The South African Reserve Bank is the country's central bank. Through the Financial Sector Regulation (FSR) Act of 2017's provision for a Prudential Authority (PA), the Bank provides oversight over the conduct of domestic and foreign banks operating in South Africa in order to ensure their compliance with the prescriptions of the Basel Accord.

Other important oversight mechanisms include the Financial Intelligence Centre (FIC), which monitors and guides banks regarding the due diligence that must be done on their customers (the so-called "know-your-client responsibilities"), as well as their adherence to the Financial Intelligence Centre Act of 2001, which provides for the Financial Intelligence Centre. The latter gathers and analyzes all financial data with the objective of countering fraud, money laundering, and the funding of illicit activities.

While the sector's fundamentals, in terms of the Basel principles, are generally in order, the global financial watchdog for money laundering, the Financial Action Task Force (FATF), has expressed concern in a 2021 report about South Africa's legal and institutional mechanisms to combat money laundering and financing of terrorism in a fast-changing global environment. It has also raised questions about the country's ability and/or commitment to prosecute high-profile cases of alleged financial crimes. The report has listed a series of recommendations on how these can be remedied. In the absence of full compliance with its recommendations, the FATF greylisted the country in February 2023, which, in practice, would mean that all South Africa cross-border financial transactions will require additional due diligence processes to ensure compliance with anti-money laundering standards.

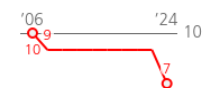
The South African Reserve Bank has identified the potential greylisting as a "high" risk to the reputation of the financial system, which could increase the cost of international finance with far-reaching implications for the country's economic competitiveness. For South Africans, this would result in additional banking expenses, as well as added reporting responsibilities for businesses and NGOs involved in cross-border transactions.

## 8 | Monetary and fiscal stability

The South African Reserve Bank (SARB) is responsible for setting monetary policy to execute its primary mandate: protecting the value of the South African currency to ensure price stability. The SARB achieves this through its primary tool, interest rate setting, with the aim of targeting an inflation band of 3% to 6% for the headline consumer price index (CPI). By adjusting its basic repurchase rate (repo rate), which determines the interest rate at which it lends funds to commercial banks, the SARB indirectly influences the prime lending rate at which commercial banks provide loans to clients and customers.

### Banking system

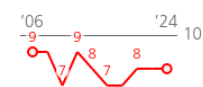
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### Monetary stability

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Guided by a Monetary Policy Review on broad monetary trends that is published in April and October every year, as well as immediate contextual considerations that affect the domestic and global economy, the Bank's Monetary Policy Committee (MPC) meets every two months to review the current repo rate.

In recent years, the SARB has played a critical role in efforts to stabilize a fragile domestic economy. Harsh lockdown rules in response to the COVID-19 pandemic in 2020 resulted in a slump in domestic demand and a spike in unemployment. These, in turn, exerted downward pressure on inflation, decreasing it from an average of 4.12% in 2019 to 3.21% in 2020.

The SARB, in line with other reserve banks around the world, has hiked the repo rate on eight consecutive occasions to its current 7.25%, which translates to a prime lending rate of 10.75% by commercial banks. While inflation seems to have peaked in July 2022 at 7.8%, most indications are that the rate-increase momentum will be sustained throughout 2023.

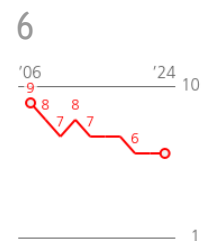
Since the country's political transition three decades ago, the independence of the South African Reserve Bank (SARB) has frequently been questioned by those on the left of the political spectrum, who argue that its ability to foster inclusive growth could be better utilized under government control. They have specifically criticized the use of monetary policy to combat inflation, suggesting that the focus should instead be on promoting economic growth. In light of the country's current bleak economic situation in 2023 and recognizing that the current cycle of interest rate hikes is influenced more by global monetary policy alignment than demand-side pressure, these voices, including some from within the ruling African National Congress (ANC), have once again emerged as significant. Despite this, the government has consistently affirmed its commitment to maintaining the SARB's independence.

The South African Rand remains highly sensitive to fluctuations in global markets and therefore exhibits substantial volatility. In early 2023, its exchange rate was R18.20 against the U.S. dollar and R19.57 against the euro.

One of the post-apartheid government's most significant initial achievements was reining in public debt to achieve fiscal stability during the latter half of the 1990s and the first half of the 2000s. This was accomplished through the implementation of a medium-term budget framework overseen by a competent National Treasury, aiming to exercise greater control over public expenditure. While some on the left criticized these policies for being austere, they did result in the country's debt-to-GDP ratio dropping from 43% in 2000 to only 28% in 2007. This, in turn, freed up money for other priorities during the 2000s.

A number of additional fortuitous factors supported this fiscal consolidation. First, the country, with its wealth of national resources, benefited from the global commodities boom that lasted through much of the 2000s. Second, the government managed to build the highly efficient South African revenue service, which has the capacity to gather and direct the proceeds of this commodity-fueled growth.

Fiscal stability



The downside of the commodity boom, however, has been the reliance it established on a single sector, with the country's manufacturing base mostly declining. Consequently, it was not enough to change the country's persistent and deeply rooted high levels of unemployment. Nevertheless, the increased revenues allowed the state to significantly expand its social welfare system during this time, including pensions, child grants, and disability grants. Nonetheless, the country's personal income tax base remained limited and susceptible, as the top 10% of earners bore the majority of the burden for personal income tax contributions.

While the current account balance remained negative for most of the 2000s, much of this was due to high import levels of capital goods necessary to sustain growth. However, a significant portion was offset by portfolio flows into the country as investors sought to exploit opportunities in emerging economies.

The cumulative effect of the global financial crisis resulted in rising spending and declining revenues – a sharp increase in the country's debt-to-GDP ratio as it had to resort to increased borrowing. The COVID-19 pandemic further exacerbated the scale of these woes, with the debt-to-GDP ratio peaking in 2020 at 72%. While the gradient of the incline has flattened in 2021 and 2022, following a brief commodity boom in the wake of the pandemic, the trajectory remains upward. In light of this, the country's servicing costs now stand at 14% of total budget expenditure, which is more than the share for basic education, health, and security services (including the police, the defense force, courts, and the country's Home Affairs Department).

The value-added tax (VAT) has been increased from 14% to 15%. Given the substantial increases in the cost of living, an unemployment rate close to a third of the labor market and looming public sector wage strikes one year prior to the general elections of 2024, there is limited room to maneuver.

One of the few factors that do count in South Africa's favor is that its debt is largely domestic. However, gross foreign debt has increased as a percentage of GDP from 3.0% in 2012 to 8.5% in 2022.

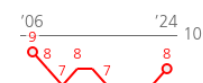
## 9 | Private Property

Section 25 of the South African constitution enshrines the legal protection of private property. Given the long history of land dispossession experienced by Black South Africans during apartheid, the right to private property aims to prevent any unjust expropriation of land in the future.

However, land ownership currently still reflects ownership patterns whereby the white minority still owns the majority of private residential, commercial, and agricultural land. Following the country's political transition, the Restitution of Land Rights Act of 1994 was passed to allow for a process whereby households or

### Property rights

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communities that were dispossessed of their land could submit a land claim to the Land Claims Commission. Claimants had the choice to request the restitution of the land or they could opt for compensation. In the event that they opted for the former, the state had to compensate the landowner in a fashion that was just and equitable. In instances where claims or aspects thereof were disputed by either party, the matter would be referred to the Land Claims Court, which has the same status as a high court. If the Land Claims Court ruling is disputed, it can be appealed to the Supreme Court of Appeal and ultimately to the Constitutional Court. Claimants had until 1998 to lodge their claims, but this period was extended to 2014 after a muted response during the first window period. However, even after the extension period, many potential applicants have failed to make their submissions.

For commercial farmers, the uncertainty around land tenure has, in turn, resulted in a more cautious approach toward investment in their businesses. This, arguably, has also had an impact on issues related to food security.

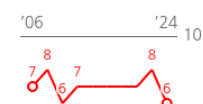
To ensure greater certainty around the matter, the Land Expropriation Bill was submitted for Parliament's attention in 2021. However, it was rejected in December of the same year. In September 2022, the National Assembly, the lower house of Parliament, passed a revised version of the Bill, which outlines the circumstances under which land could be expropriated without compensation. In broad terms, it states that land can be expropriated without compensation in instances where it is in the public interest or for a public purpose and the land is abandoned, state land, or land held for speculative purposes. The bill still needs to be passed by the National Council of Provinces, Parliament's upper house, before being signed into law by the President. This process is expected to be completed in 2023.

While the national debate surrounding expropriation has become more subdued following the parliamentary legislative process, it could potentially be revived again in the run-up to the 2024 general elections.

Private companies operate within a regulatory and judicial framework that both enables and safeguards their activities. The private sector plays a crucial role in the South African economy, employing the largest workforce and contributing the second highest share (35%) of government revenue, trailing only personal income tax. While the regulatory framework is generally effective, some private enterprises encounter more challenges in complying than others. In this regard, larger organizations with well-established administrative and compliance departments navigate government bureaucracy more successfully compared to medium and small businesses. According to Statistics South Africa's Annual Financial Statistics for 2021, substantial enterprises accounted for approximately two-thirds (67%) of total turnover in the private sector (excluding financial services), while medium-sized enterprises contributed 25% and small enterprises contributed 8%. Nonetheless, most employment opportunities are concentrated within larger corporate entities. Historically, the ruling ANC, which has ties to the Congress of South African Trade

Private enterprise

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Unions (COSATU) and the South African Communist Party (SACP), has expressed limited support for the South African private sector. However, due to significant fiscal constraints in recent years, limiting its ability to actively influence market outcomes, the ANC has been compelled to explicitly acknowledge its backing of the private sector. This shift in position was evident in President Ramaphosa's statement during the 2022 State of the Nation Address (SoNA), where he affirmed that job creation is not solely the responsibility of the government but rather lies with the private sector.

The government officially remains opposed to the privatization of state-owned enterprises (SOEs) but increasingly supports the notion of public-private partnerships. Its management track record of SOEs has been poor to the extent that their instability poses serious risks to the South African economy. Most critical of these are the malfunctioning Eskom, the national energy provider, and Transnet, the transport entity that owns South Africa's railway, ports, and pipelines infrastructure.

## 10 | Welfare Regime

Although categorized as an upper-middle-income country, South Africa's severe income inequality dictates that more than half of the country's population, according to a 2016 study by Statistics South Africa, fell below its upper-band poverty line in 2015. Given a further deterioration in the country's economic fortunes and the devastating impact that the COVID-19 pandemic has had on its economy, we assume that these figures have further deteriorated. With wages and salaries being the primary source of income for the majority of South Africans, as well as the primary driver of income inequality in South Africa, it follows that a further deterioration in the country's unemployment figure would have resulted in further growth in poverty and inequality levels. In terms of its narrow, official definition of unemployment, around a third of working-age South Africans are unemployed. The expanded definition that includes discouraged jobseekers stands at around 45%. In practice, according to June 2022 figures, only 38% of working-age South Africans are employed. The majority earn below the income threshold that requires them to pay personal income tax.

According to the most recent taxpayer statistics, which were gathered for the year 2020, only 5.21 million people submitted income tax statements. This marked a decline of nearly 800,000 taxpayers from 2014, despite a population growth of 4 million during the same period. Another important dimension to note in this regard is the fact that approximately 72% of all personal income taxes are being paid by the top 20% of taxpayers in the highest income category.

Between 1996 and 2022, the number of recipients of state grants and pensions has increased from 3 million to 19 million, which translates to a third of the entire South African population. The vast majority of these recipients (13 million) receive child support grants, followed by old-age pensions (3.8 million recipients), and then

Social safety nets

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disability grants (1.1 million recipients). The remainder is made up of foster-care grants, caregiver grants, and grant-in-aid grants. In terms of monetary value, old-age pensions account for 45% of all expenditure, followed by the child support grant at 38%, the disability grant at 12%, with the remaining grants constituting the rest.

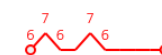
Responding to the impact of COVID-19 on households, the South African government has also introduced a Social Relief of Distress Grant of R350 per month for unemployed South Africans, with 7 million currently receiving the grant. At the beginning of 2023, the government has resolved to continue extending the grant due to the dire circumstances faced by the majority of South Africans. Additionally, children from the poorest quintile of households receive free basic education, while health care in the public system offers discounted rates to those seeking it. Currently, approximately 20% of all government expenditure is allocated to education and 13% to health. Despite this substantial budget allocation, South Africa's education system still underperforms globally and in comparison to many other states on the African continent. Due to funding constraints and a lack of capacity, health services' quality is very basic and vastly inferior to the country's private health care system. Although the government has considered the creation of a National Health Insurance System for several years, it has not yet materialized due to budget constraints and competing government priorities. As a result, those who can afford it prefer to use private service providers in key government delivery areas, including education, health care, and security.

In light of South Africa's extreme race-based income and wealth inequality, its society is also characterized by extreme levels of racialized access inequality. In the absence of a sustainable response to the nexus of high unemployment, poverty and inequality, apartheid's legacy of unequal development means that patterns of unequal development are largely being reproduced in present-day South Africa. This happens in relation to the vulnerability to external shocks, access to quality education, access to networks that enable employment, and many other spheres critical to upward mobility. In light of a poorly performing public service, characterized by skills deficits, maladministration and corruption, those who can afford it access private health care, education, and security services. While a majority of white South Africans can still afford all or most services in the latter category, the majority of Black South Africans are dependent on an underperforming public service. Research by the Southern African Labour and Development Research Unit (SALDRU) shows that although the South African middle class has become increasingly integrated during the 2010s, those who were categorized as poor in 2008 were most likely to have remained poor in 2015. The same study shows that those in the "vulnerable" category had a 40% likelihood of falling back into the poor category during the same period. Since the majority of people in these categories come from the historically Black section of the South African population, these findings underscore the intergenerational nature of poverty, inequality, and access.

Equal opportunity

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In some instances, insufficient access to infrastructure and resources, as well as rampant crime, have been blamed on migrants, especially those from the rest of the African continent. The evidence on whether such accusations have substance is mixed, with evidence in support and to the contrary. Unfortunately, politicians and some civil society movements have sought to exploit a lack of proper regulation with charged xenophobic rhetoric.

While data in terms of gender equality suggests substantial levels of equality in key metrics relating to education, this only tells part of the story. Due to high levels of gender violence, women and other gender groups are still far more likely to be victims of domestic and community violence.

## 11 | Economic Performance

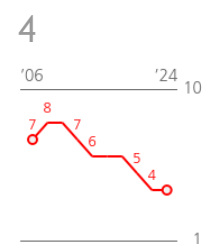
South Africa's economic performance continues to disappoint. Although it achieved a GDP growth rate of 4.9% in 2021, this merely represented a correction of the 6.3% negative growth achieved in 2020. At the time of writing in February 2023, the IMF estimate for 2022 growth stood at 2.1%, while the IMF projections for 2023 are even lower at 1.4%.

Over the past decade and a half, the material situation of South Africans has deteriorated significantly. In 2008, the country's per capita income stood at \$13,807. The comparative figure for 2022 was estimated to be \$13,220. Given the country's vast income inequality, these figures mask another reality. Research by the Southern African Labour and Development Research Unit (SALDRU) shows that between 2008 and 2016, the incomes of the top 5% of earners increased three times as fast as the rate of gross national income. For the remaining 95%, incomes stagnated.

In terms of the expanded unofficial employment definition, which excludes discouraged job seekers, the proportion of unemployed stood at 44.1%. Among the unemployed, 78% were unemployed for more than a year. This has placed an additional burden on the country's social security net, with 19 million South Africans (close to a third of the population) receiving some form of social grant from the state. Additionally, the government has made provision for a Social Relief of Distress Grant for unemployed people during the COVID-19 pandemic, which it has extended for consecutive years. In 2023, 7 million people continued to access this grant.

In light of the state's weak fiscal position, the status quo is unsustainable. Lower growth over a prolonged period has resulted in slower revenue growth and higher levels of debt. In 2008, government debt to GDP stood at 21.8%. This has increased to around 70% in 2022. As a result, debt servicing costs are consuming an increasing portion of government expenditure. Estimates for the 2022/2023 financial year suggest that debt servicing costs will amount to 15% of expenditure, exceeding the amount allocated to basic education, health, or policing. To address the issue of debt

Output strength



levels, the government has implemented expenditure caps on all departments. While necessary, the reduction in spending has also had a negative impact on gross capital formation, which reached its lowest level since 1992 at 13% in 2021.

This does not bode well for the critical infrastructure investment that is required, particularly as it relates to ailing state-owned enterprises such as Eskom, Transnet, Prasa, Denel, SAA, and the South African Post Office. Their restoration is critical for the country to achieve a longer-term sustainable growth path and to attract much-needed foreign direct investment (FDI). Between 2010 and 2020, FDI averaged around 1% of GDP. In 2021 – when it increased to 9% – there was an outlier resulting from the international technology company Prosus purchasing a 49% share of its mother company, the Cape Town-based Naspers.

## 12 | Sustainability

South Africa has one of the highest per capita CO<sub>2</sub> emissions in the world, with 7.34 tons per person, compared to the global average of 4.69 tons. This can be attributed to the fact that it is a coal-rich country that has built its economy over the decades on the back of an energy system premised on the availability of cheap coal.

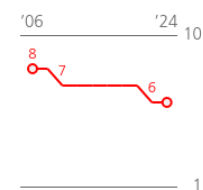
This electricity crisis has provided an opportunity for change. In response to its dire financial situation, the South African government has decided to split up Eskom into three separate entities: one for generation, one for transmission, and one for distribution. Additionally, the government has opened multiple bidding windows for private renewable energy providers to contribute power to the country's electricity grid. This will enable these private providers to compete with Eskom in terms of electricity generation. Despite significant investments in wind and solar energy, the current grid presents considerable challenges. Currently, large power stations are located near coal mines in the northern part of South Africa, with power being distributed to the country's economic center, Gauteng, and the rest of the country. However, the transmission and distribution infrastructure that connects provinces with high potential for wind and solar power to the rest of the country, such as the Northern Cape, is currently limited.

Apart from the interconnected financial and infrastructural challenges facing renewable energies, the social cost to individuals reliant on the present coal supply chain remains an essential factor to consider. During the Glasgow Conference on Climate Change (COP26), South Africa secured a groundbreaking agreement, with Germany, the United States, the United Kingdom, and the European Union pledging a total of \$8.5 billion in financial assistance to aid in achieving a “just transition.”

Although the dominant government narrative is now in favor of a just transition to renewable energies, a strong coal lobby still exists within the ruling party.

Environmental  
policy

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There are two departments responsible for education in South Africa. The Department of Basic Education oversees primary and secondary education, while the Department of Tertiary Education is responsible for post-school education and training. Together, they receive the single largest allocation of the government budget, totaling around 20% of all government spending.

The quality of outputs in the public schooling system is poor, despite the substantial budget allocation to basic education. Registration rates are high during the first years of education, but dropout rates throughout the schooling career of young South Africans are substantial. For example, although an 80% pass rate was achieved for the 2022 final year Grade 12 high school exams, the number of those who passed represents only 54% of those who were in Grade 2 eleven years earlier. Numeracy and literacy levels are low compared to international standards. According to the 2019 Trends in International Mathematics and Science Study (TIMSS), 63% of children in Grade 5 lacked basic mathematical knowledge. The comparative figure for science was 73%. A more recent report on reading skills by the Progress in International Reading Literacy Study (PIRLS) found that in 2023, 82% of children in Grade 4 were unable to read. This was 4% higher than the 78% before the COVID-19 pandemic.

The tertiary education system is also afflicted by various challenges, of which funding is one of the most substantial. This pertains to the funding of infrastructure and staff, as well as the funding model to support students with limited financial means. These, along with the knock-on effect of the poor quality of primary and secondary education, increasingly hamper the ability of such institutions to provide quality education and research. While historically Black universities are the most severely afflicted, these challenges are also experienced to a lesser degree by the more affluent institutions.

These poor outcomes at the primary and secondary levels have spill-over effects into the tertiary education system, where first-year students struggle to adapt to industry-level standards. According to Statistics South Africa's General Household Survey for 2020, only 15% of people over the age of 20 had some post-school education – a low figure – yet a substantial improvement from just 9% in 2002. The Department of Higher Education and Training is responsible for tertiary education, and it has recently been allocated larger budgets to cover the costs of student fees for students from low-income households.

In terms of wealth inequality, Orthofer has shown that the top 10% of the population owns 90% of the country's wealth; the next 40% (generally considered as the middle class) earns 30% to 35% of income but only owns 5% to 10% of wealth, while the poorest 50% owns no measurable wealth. She concludes that, in terms of wealth inequality, the GINI coefficient stands at 0.95. Additionally, these distribution patterns remain highly racialized, mirroring the racial hierarchy of apartheid.

Education policy /  
R&D

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Findings from the National Survey of Research and Experimental Development for 2020/21 of the Human Sciences Research Council (HSRC) show that gross expenditure on research and development (R&D) for this period stood at 0.61% of GDP. According to the report, the South African government funded 56.3% of R&D, followed by business with 26.9%, while foreign funders contributed 13.3%.

## Governance

### I. Level of Difficulty

The interaction between racialized, intergenerational poverty, inequality, and unemployment serves as a lasting legacy of apartheid in South Africa. Throughout history, the Black majority in the country has faced significant barriers to wealth accumulation due to restrictions on property ownership, limitations on certain occupations, and unequal access to education for specific professions. Consequently, during the country's political transition, the labor market experienced an oversupply of low-skilled Black workers, many of whom were employed in low-paying positions within the extensive mining sector. In contrast, white South Africans, who traditionally received better education and encountered fewer legal obstacles to pursuing their desired careers, enjoyed higher incomes and were more likely to benefit from intergenerational wealth transfers.

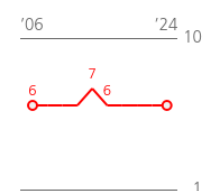
Although spending around one-fifth of the national budget on education, educational outcomes have been poor.

The most recent statistics from the World Bank in 2014 suggest that one-fifth of South Africans (20.5%) live in extreme poverty. While this is 8% lower than the 28% of 2005, it is 2% higher than the 18% of 2010, suggesting that poverty levels have been on the rise again in the wake of the global financial crisis. Although similar studies have not been conducted since 2015, it is relatively apparent that these statistics have deteriorated since the COVID-19 pandemic, which saw official unemployment levels rise to over a third of the workforce. These figures have affected the country's historically marginalized Black population, who either relied on low-paying, unstable employment and/or weak asset bases to support them during the pandemic. This, in turn, has had a reinforcing impact on the country's inequality levels. While the most recent World Bank statistic puts the country's GINI coefficient at 0.63, this is likely to have risen in subsequent years.

A structural constraint has been the political configuration of a dominant political party. As a result of the blurring of the lines between itself and the state, this party has created an extractive patronage system that frustrates the effective delivery of the state's mandate to its citizens. Corruption and maladministration have become endemic, bringing key state-owned entities to their knees and jeopardizing economic – and in the longer term, political – stability.

Structural  
constraints

6



South Africa has a large and vibrant civil society with a proud tradition of resistance against oppression and the delivery of critical services in areas where the state has been unable or unwilling to do so. According to a 2020 study by the Kagiso Trust, a South African development agency, there are approximately 200,000 non-governmental organizations (NGOs) in South Africa, compared to 140,000 in 2015.

Survivalist and community-based in nature, this approach serves the essential survival needs of impoverished communities.

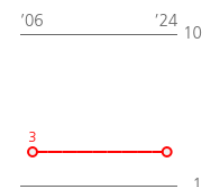
The number of well-resourced service-based organizations, think tanks, and advocacy groups is in a small minority. Despite their numbers, they have had a substantial impact on policy outcomes in South Africa and the African continent in the fields of health, education, foreign policy, corruption fighting, and the environment. Some, like the humanitarian organization Gift for the Givers, have on numerous occasions filled the gap where the South African government was incapable of providing disaster relief within South Africa and outside of its borders. Funding constraints, in the face of competing priorities such as the refugee crisis in Europe and the war in Ukraine, have, however, in recent years resulted in a narrowing of the scope of their activities. The relationship between the South African government and civil society organizations, particularly those that take on advocacy roles, has varied over time.

Given the historical overlap of race and class in South Africa, as well as the state's inability to enable inclusive growth that altered historical patterns of wealth and income distribution, the potential for conflict along these lines always remains latent in South African society. To date, despite hate-based crimes occurring and race-based frictions remaining present in society, such conflicts have not erupted on a large scale. The challenges for South Africa have, in all likelihood, been exacerbated by the impact of the global financial crisis of the 2000s and the COVID-19 pandemic in the 2020s. Under the current levels of material deprivation, which are arguably the most pressing since the country's democratic transition in 1994, social fragmentation should therefore continue to be regarded as an important threat to the sustainable governance of the state. Such conflict potential not only relates to relations between South Africans but also between South Africans and migrants, particularly from other parts of the continent. Over more than two decades, there have been instances of widespread xenophobic violence toward migrants from other parts of Africa, with the latter being accused of taking away employment from locals, unfairly benefiting from social benefits, and being responsible for high crime levels.

Low-level political violence does occur at the local government level, particularly in the poor rural areas of KwaZulu-Natal, where resources provide an opportunity for leverage.

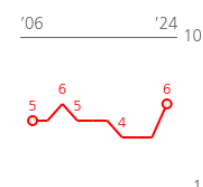
#### Civil society traditions

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#### Conflict intensity

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## II. Governance Performance

### 14 | Steering Capability

South Africa has launched its National Development Plan (NDP), which contains the country's key economic and developmental targets that it aims to achieve by 2030. Launched in the wake of the global financial crisis during the last quarter of the 2000s, the plan was largely mindful of the challenges that it would face during the 2010s. In 2023, however, it was already clear that it would miss most, if not all, of its explicit targets for 2030 by a substantial margin. For example, it set itself the target of 0% poverty by the end of this decade. All indications, however, are that the poverty rate in 2023 exceeds that of the year in which the target was set. The target for unemployment was a reduction from 25% in 2012 to 6% by 2030. The official unemployment rate at the time of writing in 2023 stood close to 33% of the workforce.

While the global environment has not been favorable to the achievement of these targets, the major blame for failing to reach them should be laid at the door of the South African government's inability to ensure policy consistency and continuity, as well as its singular failure to create a developmental state with the capacity to coordinate and implement policy.

Over the past decade, the mention of NDP targets in official government communications has become increasingly muted as the possibility of achieving them has become more remote. During the same period, shorter ad-hoc strategies have been announced to address crises as they arise.

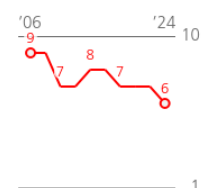
The capacity of the South African state to implement policy is weak. At the core of this issue is the merging of the state with the ruling party, which utilizes the state for patronage and power consolidation. Corruption and mismanagement have become widespread, and the pursuit of factional interests now takes precedence over the welfare of the South African nation, greatly influencing the direction of change. As state institutions have been depleted and continue to serve as a battleground for party conflicts, the state is largely unable to effectively carry out policy. Consequently, the government is likely to fall considerably short of its major National Development Plan (NDP) targets, established in 2012 for 2030, regarding poverty, inequality, and unemployment.

Amid a growing debt crisis, the gross debt to GDP ratio stands at 72%, and the value of debt interest payments now exceeds expenditure on items such as basic education, policing, and health. Government departments have even less funding to direct toward critical areas of expenditure.

Question  
Score

Prioritization

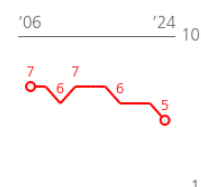
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Implementation

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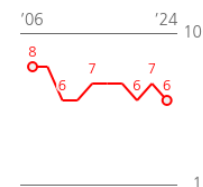
The Department for Planning, Monitoring and Evaluation (DPME), located within the presidency, is responsible for policy learning within the South African state. It also houses the National Planning Commission Secretariat (NPC), which convenes the activities of the National Planning Commission that advises the government on the implementation of the National Development Plan. The NPC consists of leading academics, civil society leaders, as well as business leaders. While the DPME has strong capacity within its midst, the extent to which its guidance finds bearing in policy is largely dependent on the whims of the ruling party, where much of the decision-making occurs based on factional expediency. The continuing electricity crisis is a prime example of the government's failure to learn from and heed the advice of experts, who have warned for more than a decade and a half that the problem would worsen if the government did not act with purpose and haste in solving it.

## 15 | Resource Efficiency

The South African Treasury employs the medium-term expenditure framework (MTEF), projecting its expenditures three years into the future. Alongside the annual presentation of the national budget in February, the Treasury also delivers a medium-term budget policy statement (MTBPS) in October. This statement contains updated estimates of revenue and expenditure. Over the years, the National Treasury has garnered praise for its transparency, providing data and other documents to the wider public. While generally well-managed, aside from brief periods during former President Jacob Zuma's administration, the Treasury does not establish economic policies. Consequently, its management of public finances is limited by the actions, capabilities, and spending discipline of other government departments. In the past decade, Treasury has faced increasing challenges in achieving balanced budgets. The country has not been able to generate a budget surplus since 2006, increasingly relying on debt to finance expenditures. As a result, the gross debt-to-GDP ratio, which was 21% in 2006, is expected to reach 73% by the end of 2023. This has led to a growing proportion of debt service compared to government expenditure, surpassing key areas such as policing, basic education, and health. To address the nation's debt situation, the Treasury has imposed expenditure ceilings for government departments, and this approach is starting to yield results. Finance Minister Enoch Godongwana, in his February 2023 budget presentation to parliament, shared Treasury projections revealing a stabilization of debt levels and a reduction in the budget deficit from 4.2% in 2023 to 3.2% in 2026.

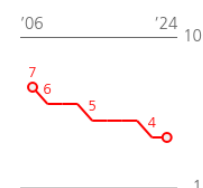
### Policy learning

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### Efficient use of assets

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South Africa's National Policy Development Framework, launched in 2020, guides all South African government departments in policy development. Its goal is to create consistency in policy formulation processes within and across the government system. The Policy and Research Service (PRS), within the South African Presidency, oversees and supervises its implementation. According to the South African Constitution, the Presidency is responsible for strategic coordination, leadership, and policy execution supervision. The PRS, in turn, ensures alignment in policy formulation and execution across various levels and spheres of government.

In practice, the evidence suggests that such coordination is lacking. On key interlinked policy areas, such as energy security and the environment, internal battles within government obstruct the development of clear and consistent policy necessary to address them. Turf battles between government departments, such as the Department for Minerals and Energy and the Department of Public Enterprises, openly contradict each other on policy and implementation amid an energy crisis that, under the current circumstances, make it impossible for the country to grow at the rates necessary to address key challenges such as poverty and inequality.

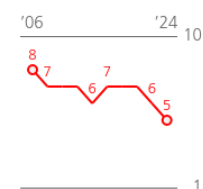
Much of these challenges relate to the conflation between the state and the ruling party, where personal interests and vendettas within the ruling party obstruct the state's ability to operate efficiently. In February 2023, the departure date of the outgoing CEO of Eskom was expedited after he claimed in an extensive television interview that two government ministers with private interests in the coal mining sector were party to the sabotage of Eskom's efforts to adopt and enable the transition to renewable energies.

South Africa has a comprehensive institutional infrastructure dedicated to combating corruption. The Public Finance Management Act of 1999 sets forth a comprehensive framework for managing finances in the public sector, with the goal of maximizing output given limited resources. The National Treasury determines the available resources through its budgeting process, using a medium-term expenditure framework. The Treasury is recognized globally for its transparent execution of its mandate. The Office of the Auditor-General conducts audits of all public finances, consistently carrying out its work impartially and independently, although it previously had limited powers to enforce its recommendations, especially regarding repeat offenders. Additionally, the Constitution establishes the Office of the Public Protector, tasked with safeguarding the South African public against any form of abuse of public funds or resources. The Public Protector has the authority to compel public institutions to take corrective measures once it determines such actions are necessary.

The Political Party Funding Act of 2018 requires political parties to declare all donations over R100,000 and forbids any donation over R15 from a single donor. It also prohibits political parties from accepting funding from foreign governments, foreign persons and entities, as well as state-owned enterprises. All donations must

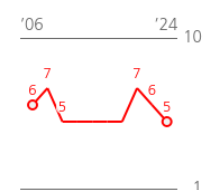
#### Policy coordination

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#### Anti-corruption policy

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be reported to the Independent Electoral Commission (IEC), which is then required to make these donations public on a quarterly basis. The National Parliament has implemented a Register of Members' Interests, which mandates all members of parliament to disclose their financial interests. This measure aims to ensure transparency and address any potential conflicts of interest arising from their duties. A similar register is established for Heads of Department and Executive Authorities in the public service, who are obligated to declare their interests to the South African Public Service Commission.

Citizens and the media are able to obtain access to information that is in the public interest or affects the rights of individuals, and they can enforce this right by means of the Promotion of Access to Information Act (PAIA) of 2002. In practice, the procedure of doing so can be cumbersome, costly, and, hence, not a feasible option for most South Africans from a financial perspective.

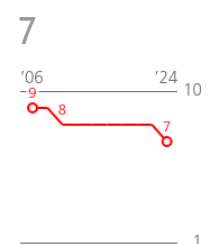
Although South Africa has an extensive institutional and legislative framework to combat corruption, it is endemic in the country's public service. Having heard testimony from August 2018 to August 2021, the Commission submitted its final report in June, detailing the extent to which the state and its institutions had become repurposed to funnel public money for personal and party gain – largely through the awarding of fraudulent tenders to the benefactors of ruling party politicians and senior public officials who were part of a broader patronage network. Processes and procedures have generally been followed; however, they are frequently rigged by political deployments charged with their oversight.

## 16 | Consensus-Building

Broad national consensus exists on the need and desirability of democracy as a system of governance in South Africa. Given the long history of political exclusion of the country's Black majority, there is widespread recognition of the symbolic importance of providing all citizens with an equal opportunity, through their vote, to elect representatives who best reflect their interests. This sentiment is shared across influential sectors of society, including business, labor unions, civil society, and religious institutions. However, while consecutive Afrobarometer surveys indicate support for democratic practices among the population, they have also shown an increasing dissatisfaction with how South Africans perceive the functioning of democracy, particularly in relation to issues such as unemployment and corruption. Consequently, some political parties have adopted a more populist tone in their communication with voters, which includes a renewed focus on topics like illegal migration.

Most actors also agree with some form of market economy, although there is debate about the extent of state involvement in directing the economy. The current ruling faction of the ANC is center-left in its orientation, although some members, who also

Consensus on goals



belong to the broader tripartite alliance that includes the South African Communist Party and the Congress of South African Trade Unions (Cosatu), continue to advocate for greater state intervention. The Economic Freedom Fighters, a more populist and radically left party, have pulled the ruling party further to the left in recent years. This is evident in the reemergence of the policy of land expropriation without compensation. However, the government is unlikely to embrace the radical nature of the EFF's proposals. Additionally, the topic of nationalizing the South African Reserve Bank (SARB) has been recurrent. In this regard, the rhetoric is stronger than the actual intention to proceed with the bank's nationalization.

Given the ANC's dominance of electoral politics and, hence, oversight capacity; the conflation between its interests and those of the state; and the extent to which this gives rise to a situation where factionalism within the ANC compromises the efficacy of the state, it poses the most significant threat to effective governance. This dynamic undermines the democratic notion of the separation of powers. By prioritizing sectional interests, it arguably also violates the electoral mandate that it received.

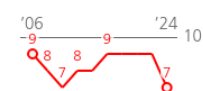
Over the past decade, these internal factional battles between two dominant factions – one broadly associated with former President Zuma and the other with current President Ramaphosa – have repeatedly resulted in the use and abuse of state institutions and resources for factional interests. In many instances, the intensity of such factional contestation in areas such as national intelligence and policing was beyond the control of their line ministries in government.

President Ramaphosa, upon assuming power in 2018, was initially regarded by many as a constitutionalist and reformer. However, his track record in this regard has been mixed, with many indications pointing to the contrary.

In a country with a deeply divided history of racial segregation, the promotion and achievement of a national vision for the creation of a more inclusive society is vital. At the advent of democracy in 1994, the ANC, with its abundance of social capital as a liberation movement and iconic leaders like Nelson Mandela and Walter Sisulu, was perfectly placed to guide the country toward this vision. This gravitas, together with the willingness of the apartheid government to enter into a negotiated settlement, provided the country with a solid foundation from which to alter its racialized developmental trajectory, which was largely responsible for its racialized fragmentation. The reality of 2023 is far removed from the expectations and potential that existed almost thirty years ago. During the mid-1990s, the New National Party of former President FW de Klerk left the transitional government of national unity, thereby dealing an initial blow to the process of building greater social cohesion. In subsequent decades, due to policy inconsistency, poor implementation, and a growing proclivity toward corruption, successive ANC administrations failed to decisively alter historic patterns of racialized resource distribution. Today, the triple challenges of poverty, inequality, and unemployment remain as entrenched as in the past, resulting in a reproduction of their racialized nature and intergenerational transfer

Anti-democratic actors

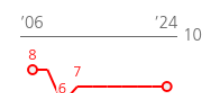
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Cleavage / conflict management

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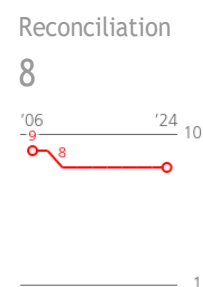
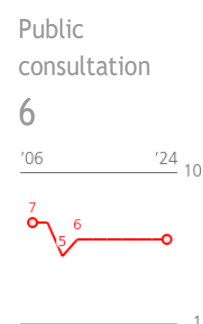
from one generation to the next. Amid poor growth over the past decade, the devastating economic impact of the COVID-19 pandemic, and consequently, the poor growth potential in the short to medium term, there is evidence of an increasingly impoverished society becoming restless. In 2021, mass lootings occurred in the provinces of KwaZulu-Natal and Gauteng, instances of violent xenophobia and vigilantism are on the rise, and crime statistics are once again trending upward.

As a result of its demise as a moral agent and holder of social capital, the ANC is no longer a cohesive social force that could exert its influence in instances of conflict within the economy and the broader society.

Civil society organizations are frequently invited to participate in government workshops, policy consultations, and public hearings. However, most civil society organizations, apart from a few well-funded think tanks and academic institutions, lack resources and often cannot engage at the same technocratic level as government departments and legislatures. It is difficult to gauge how much the government internalizes the advice it receives from civil society organizations. In cases where organizations have challenged sensitive areas in which the government has performed poorly, such as HIV/AIDS treatment, basic education, and anti-corruption efforts, political leaders have taken an antagonistic stance toward these organizations. During the period under review, several environmental NGOs have continued to challenge mining rights and gas exploration in areas significant to indigenous communities. In such instances, the government has frequently chosen to adopt an antagonistic posture, questioning the intentions of these organizations and suggesting that, due to their donor base, they are furthering the interests of subversive imperial forces.

The preamble to the South African Constitution recognizes the historical injustices of colonialism and apartheid. It goes further to clarify that one of the primary objectives of the post-apartheid state will be to undo this legacy of racialized discrimination that resulted in a deeply divided nation. The final report of the Reconciliation Commission (TRC) made recommendations to the South African government on issues related to prosecutions, amnesty, reparations, and memorialization of the country's battle for liberation.

The democratic state has pursued macroeconomic strategies with redistribution as a core focus. There is a broad consensus that redistribution is necessary to bring about a more reconciled society. Despite some improvement in reducing inequality, the most recent measure of the Gini coefficient is higher than in the 1990s. The Barometer shows that South Africans believe that reconciliation will not be achieved without addressing the economic injustices of the past.



## 17 | International Cooperation

South Africa is an upper-middle-income country that received around \$1.2 billion in overseas development aid in 2020. This amount equated to 0.4% of its gross national income (GNI). While this is substantially lower than the average of 4% for Southern Africa, it is higher than the upper-middle-income country average of 0.1%. ODA is largely channeled to developmental areas, with the combating of HIV/AIDS and education at the top of its list. Investment in the provision of antiretroviral treatment and related public health interventions has paid off over the past decade, with infection rates declining substantially.

For many years, South Africa has been regarded as a normative power in the international community that has managed to “punch above its weight.” This status was largely due to the global example that the country had set in peacefully overcoming the apartheid regime.

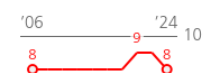
In the most recent instance, it has refused to vote in favor of U.N. resolutions that condemned the Russian invasion of Ukraine. In all such votes, it has abstained from voting against its BRICS partner, along with China and India, while Brazil voted in favor of these resolutions.

The country has fended off criticism of its stance by indicating that it does not necessarily approve of Russia’s actions but was of the opinion that the resolution would not favor the cause of negotiations toward a peaceful settlement that it is championing. While this may sound credible, the country started military exercises along with Russia and China off the South African coast less than a week after the U.N. General Assembly resolution on February 24. Such action can, at best, appear naive and tone-deaf to the fragile nature of the conflict. At worst, it can be viewed as a contradiction to its principles of neutrality and non-alignment.

In an increasingly fragmented global geopolitical environment, the South African approach can be questioned for two reasons. Firstly, it should be asked whether it is still possible to maintain neutrality in such a polarized global environment, where signs are also emerging of a decoupling in the global economy. Its political stance also has economic consequences. While it may, secondly, still rely on its past status as a normative actor in the global community of nations to assert its neutrality, it can be argued that it has lost this status not only globally but also on the African continent, where it no longer engages with the same fervor within the African Union because its own severe problems are currently more important.

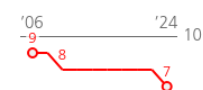
Effective use of support

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Credibility

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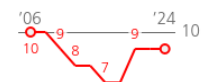


South Africa is a proponent of regional cooperation and is a member of the Southern African Development Community (SADC), the African Union (AU), and the South African Customs Union (SACU). In 2021, the African Continental Free Trade Agreement (AfCFTA) came into effect, creating the world's largest free trade area. The AfCFTA has its headquarters in Accra, with a South African serving as its first secretary-general. While still in its early stages, the AfCFTA aims to reduce barriers to regional trade and cooperation, promoting increased trade within the continent.

Aside from membership in these organizations, South Africa also plays a leadership role in many of them. Its GDP accounts for more than half of the combined GDP of the 15 member states of the Southern African Development Community (SADC), and most of the revenue generated from trade within the Southern African Customs Union (SACU) goes to South Africa. In its international relations, South Africa prioritizes regional cooperation and aims to further the interests of other African countries on a global level.

## Regional cooperation

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## Strategic Outlook

Amid modest growth and increasingly ominous signs of hardship ahead in the global economy, the South African state is engaged in a losing battle to protect its population from the mounting consequences that threaten to overwhelm it. In a society characterized by unsustainably high levels of structural poverty, inequality, and unemployment, all the major indicators have pointed in the wrong direction throughout the 2010s. The devastating impact of the COVID-19 pandemic has only accelerated the rate at which these problems have deteriorated in the 2020s. With a high level of debt, its fiscus currently lacks the financial firepower to effectively confront the challenges it faces.

As the provision of key government services implodes, South Africans are increasingly losing their confidence in the state's ability to deliver on its mandate. Those who can opt for equivalents in the private sector. While some in the ruling party have opportunistically suggested that South Africa's failings should be attributed to a deficient Constitution, a broad consensus has emerged that the ANC has squandered public trust in its ability to rule in the national interest.

In light of the above, two main challenges face South Africa in terms of its strategic outlook as it approaches a general election in 2024, marking thirty years of democracy. The first challenge would be to restore the country's longer-term fiscal sustainability. While a competent National Treasury can only do so much in terms of balancing the books of the state, it will be critical to craft and consistently implement economic policy that will bolster state revenue, create enabling economic infrastructure, and, importantly, result in substantial employment. As indicated in this report, the combination of growing public debt and an expanding social welfare net is unsustainable.

To contain expenditure and ensure the consistent implementation of policy, it is imperative for the state to dramatically improve its oversight, transparency, and accountability systems that exist to provide checks and balances on the exercise of state power. Amid growing resource constraints and the rising cost of living, corruption in the civil service is only likely to grow. To counter this, South Africa will need to implement a zero-tolerance policy for corruption, without exception, across all levels of public life. Anything less, and South Africa is unlikely to slay the dragon of stagnant economic growth and, more worrying, the crisis of hopelessness that has gripped the country over the past few years. This may require a substantial overhaul of the public service, including law enforcement agencies, to insulate it from overbearing political influence and the destruction of existing patronage networks.