

BTI 2016 | South Africa Country Report

Status Index	1-10	7.05	# 26 of 129	
Political Transformation	1-10	7.60	# 25 of 129	➔
Economic Transformation	1-10	6.50	# 33 of 129	➔
Management Index	1-10	6.14	# 26 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	54.0	HDI	0.658	GDP p.c., PPP \$	13046.2
Pop. growth ¹	% p.a.	1.6	HDI rank of 187	118	Gini Index	63.4
Life expectancy	years	56.7	UN Education Index	0.695	Poverty ³	% 34.7
Urban population	%	64.3	Gender inequality ²	0.461	Aid per capita	\$ 24.3

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

Nelson Mandela, South Africa's first black president, died on 5 December 2013 at the age of 95 after years of declining health. Born in 1918 as Nelson Rolihlahla Mandela, he joined the African National Congress (ANC), the party which he would later lead, in 1944. With Mandela's death, South Africa lost a moral institution. Mandela was one of the very few South African politicians who was respected by groups across the political spectrum. His moral authority contributed to the country's successful transition to democracy and the transformation of the ANC from a liberation movement to a political party. In 1993, Mandela and Frederik Willem de Klerk, the then president, received the Nobel Peace Prize for their efforts to support a peaceful transformation to a multi-racial democratic system. He became president after the ANC won the first free elections in 1994. After he left office in 1999, and Thabo Mbeki became his successor, he rarely intervened in national politics. One of the exceptions was when he publicly criticized the hesitant and inefficient anti-HIV policy of his successor. In speaking to South Africans on the loss of Mandela, President Jacob Zuma stated that: "Our nation has lost its greatest son. Our people have lost a father." Despite fears, especially from outside the country, that South African democracy would be endangered by instability after Mandela's death, the time since has been marked by routine and stability. Over the past 20 years, the country has made undeniable progress in the process of democratic consolidation.

The period under review mainly covers the last two years of President Zuma's first term in office and the first 7 months of his second term. The fifth democratic election in South Africa took place in May 2014. As in the previous four democratic elections, the ANC won by a large majority (receiving 249 out of 264 seats). Nonetheless, compared to the previous election, the party lost over 3% of the total vote, 15 seats in the National Assembly as well as votes and seats in the provincial elections which took place simultaneously. The main opposition party, the Democratic Alliance (DA), reached its best result so far (increasing its share of the vote from 16% to nearly 23%). The newly founded party Economic Freedom Fighters (EFF), led by the charismatic former

ANC Youth League leader, Julius Malema, reached 6% of the vote, claiming 25 seats. It remains to be seen whether the party can consolidate its support over the long term. The EFF has a clear left-wing orientation which the left within the ANC are sympathetic to. This may put pressure on the ANC to shift economic policies more to the left. This should also be seen against the backdrop of a fracturing Congress of South African Trade Unions (COSATU) and the possibility of new political alliances. Malema's aggressive rhetoric and the confrontational style of his EFF party, if sustained, may herald in a period of more party polarization. To date, it remains unclear whether Malema and his supporters share the overall population's consensus on representative democracy and the market economy. The largest opposition party, the DA, seems to have difficulty finding its feet in this new political environment.

The Tripartite Alliance of the ANC, COSATU and the South African Communist Party (SACP), an informal coalition formed in 1990, was weakened by COSATU's expulsion of the National Union of Metal Workers of South Africa (NUMSA) and, more recently, the expulsion of its outspoken general secretary, Zwelinzima Vavi. With more unions threatening to leave COSATU to form an alternative labor movement together with NUMSA, working class support for the ANC can no longer be taken for granted. This instability within the alliance also opens the door for new alliances with other left-leaning political groups.

In macroeconomic terms, the country reached modest growth rates between 1.5% and 2%. This growth rate is clearly below the target laid down in the 2011 National Development Plan (NDP). In the present context, the NDP's vision to change South Africa into a thriving economy appears to have been over-ambitious. During the period under review, inflation hit the upper ceiling (around 6%) and the budget deficit rose. The economic performance of recent years has shown how sensitive the country remains to international economic developments and trends. Turbulence in the eurozone and the process of quantitative easing in the United States that saw the withdrawal of capital from emerging markets led to a strong devaluation of the South African rand (over 20% against the euro and U.S. dollar). Given weakened manufacturing capacity and prolonged strikes in the mining section, the country was unable to capitalize on the lower exchange rate through increased exports. With sluggish growth, the longstanding, extraordinarily high level of unemployment (between 25 and 30%) was not reduced despite large-scale infrastructure programs and increased government spending. Youth unemployment in excess of 70% remains a serious concern.

Some of South Africa's pain has been self-inflicted and demonstrates massive deficits in governance. The country has poorly managed its energy security, long neglecting its energy infrastructure. Protests against deficits in service delivery continued, as citizen impatience with slow government reforms persisted. These deficits can be attributed to weak capacity at the local level, but citizen anger is also growing with the proliferation of corruption and incompetence at various levels of government. The president himself did not escape controversy. Public outcry followed the expensive and excessive "upgrading" of his private residence with public funds. On all levels of government, public tenders are often won by individuals close to the ANC. This practice is being referred to as "tenderpreneurship" in South Africa. Regular government pronouncements to fight corruption have not been turned into action and the effect remains modest,

at best. Furthermore, the government's capacity to fight corruption has decreased since the dissolution of the anti-corruption unit, the Scorpions.

More success has been achieved in the realm of health and combatting HIV/AIDS. Although the number of people infected with the virus stands at approximately 6 million, the number of new infections has stabilized. In addition, prevention and treatment programs have been extended to over 2 million people.

All in all, the period under review can be characterized as a time of political and economic stagnation. Two decades after South Africa's political transition, citizens are becoming increasingly impatient with the government's slow progress in addressing the country's high levels of poverty and inequality.

History and Characteristics of Transformation

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

Despite South Africa's flaws, it is one of the rare success stories on the African continent. Most notably, since 1994, the country has made huge progress on the path to democratic consolidation. Today's deeply divided and segregated society is the legacy of hundreds of years of discrimination and the apartheid period (from 1948 to 1994). Now, to create, or at least foster a new South African nation, the most important remaining task, even after 20 years of democracy, is to mitigate social inequalities – with a focus on the unemployed and marginalized groups which make up over a third of the entire population – and find a common identity for all groups to overcome past divisions. Most progress has been made in the establishment of democratic institutions.

During the last years, the South African economy was reintegrated into the global economy. A shift in foreign relations, especially toward the African continent, has taken place, though it has been much weaker since Jacob Zuma became president in 2009. Domestic reforms toward redistribution, and the promotion of greater economic access to marginalized South Africans, have to occur within the prescriptions of fiscal discipline.

The government has maintained a high (but gradually declining) level of support among the electorate despite public disillusionment regarding the leadership's poor record in bringing about much-needed development and popular skepticism toward the democratic institutions responsible for reforms. The ANC has won all five democratic elections with a comfortable majority of over 60% of the total vote, though voter participation has declined. South Africa has a dominant party system, but the opposition parties gained strength in the last two elections.

Economic development after 1994 proceeded through different phases. After a period of relatively modest growth, the years up to 2008 saw a flourishing economy with the highest growth rates in South Africa in the last two decades. The country was hard hit by the global financial crisis, but since 2010 is back on a path of recovery with modest growth between 2% to 3%.

The first black government under President Mandela's leadership introduced the Reconstruction and Development Program (RDP) in 1994. This comprehensive program focused on improvements in meeting basic needs, fostering human resources and establishing a social welfare system. The program was replaced by the Growth, Employment and Redistribution Program (GEAR). GEAR was very much in line with the more liberal policies of the Bretton Woods system during the 1990s and international business and donors reacted positively. The domestic reaction to GEAR, however, was different. The economic and fiscal policies of the Mbeki government led to heated political debates and became the main reason for an ongoing tension within the Tripartite Alliance. The alliance has its roots in the liberation struggle against the apartheid regime. It consists of the ANC in a centrist position, and the Congress of South African Trade Unions (COSATU) and South African Communist Party (SACP) on the left. Since 1994, the alliance has been characterized by growing infighting between a more market-oriented wing that strongly advocated for privatization and further liberalization, and a more socialist-oriented group – represented by COSATU and the SACP – promoting a major state role in the economy. Owing to government inertia and the initial lack of efficiency of programs, however, the HIV/AIDS pandemic remained one of its biggest challenges, with over 6 million infected. The number of new infection has dropped.

After President Thabo Mbeki was ousted from power by his own party due to the general path of economic and fiscal policy and his centralist style of leadership, Jacob Zuma became president of the country in April 2009. President Zuma has most of the time successfully managed the alliance as well as the different wings within the ANC. It is unclear if the left-wing breakaway party Economic Freedom Fighters (EFF) will survive. After winning the May 2014 elections, Zuma started his 2nd term in office.

The ANC is still regarded as the harbinger of freedom and democracy among the overwhelming majority of black South Africans. Although support for the ANC is still strong, protests against deficits in service delivery, which in some cases developed into violent unrest characterized by arson, intimidation and the destruction of public and private property, have sporadically broken out and increased in recent years. Despite spontaneous outbursts of violence, surveys reveal strong support for democratic principles and values.

Despite efforts by the government to mitigate income disparities, South Africa continues to have high income inequality when measured in terms of its Gini coefficient, which increased from 0.67 in 1994 to 0.70 in 2008, as reported by the Institute for Justice and Reconciliation in 2012. Although international sources see a decline in the Gini index, South African research leaves little doubt about an increase. It is noteworthy that the Gini coefficient within black population groups has sharply increased. This reflects the emergence of a black middle and upper class, who are, together with traditional white-owned businesses, the winners of the country's economic reform policy. Nonetheless, the middle class is still small: in South Africa, only 13 million people are employed out of a potential labor market of approximately 31 million. Only roughly 7 million South Africans earn enough to pay taxes, which illustrates how acute income inequality remains in South Africa.

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 enjoys legitimacy among the population. There are no serious threats to the state's monopoly on the use of force. Levels of violent crime remain high. After declining considerably over the two decades leading up to 2011, the number of violent crime cases increased between 2011 and 2012, but dropped again slightly in the following year. The decrease in the crime rate may partially have to do with a more effective police service, which has also become increasingly forceful (some would argue excessively so in the wake of a rapid rise in reported cases of police brutality), but also due to the exponential growth of the private security industry, which outnumbers the size of the South African Police Service (SAPS) by almost 4 to 1. With the proliferation of violent protests and strikes, the SAPS is increasingly becoming the bulwark of a state struggling to deliver on its developmental promises against the backdrop of an impatient citizenry. In many instances, the SAPS still fails to deal firmly, but without violence, against those who break the law in desperation. It is worth noting that, as in many other African states, border controls in South Africa are too weak to stop illegal immigration, in particular from Zimbabwe.

Democratic South Africa enjoys legitimacy among the overwhelming majority of South Africans. Only a small, insignificant political right of the white population still dream of their own state and their relevance has gradually diminished over the last decade. Due to the historical experience with the apartheid system, the constitution acknowledges the country's apartheid past and therefore prohibits any form of discrimination. Although discrimination still occurs on various levels and within a variety of sectors, it is no longer condoned by the state. The country still has deep racial divisions, which overlay class inequality, with the average white household still earning about three times that of the average black household. With a Gini coefficient of 0.70, the country is one of the most unequal emerging economies in the world. While inequality is still largely drawn along racial lines, the middle and upper

Question
Score

Monopoly on the
use of force

7

State identity

8

strata of society is becoming increasingly integrated. According to the South African Human Rights Commission, xenophobia remains a significant issue, with regular flare-ups occurring across the country, primarily in poor residential areas. The properties and businesses particularly of immigrants from other African states are from time to time attacked.

South Africa is a secular state, with a very religious population and all major global faiths represented. Christianity is predominant and includes established international denominations, such as Catholicism; forms of Christianity, which have been fused with traditional African belief systems; and Pentecostal churches, which have experienced considerable growth in recent years. Although representatives of Pentecostal churches maintain that political activism does not occur during church services, some representatives do ask their congregations to be a connecting link between government and the electorate. As such, conservative values are pervasive in society, although the country's constitution is remarkably liberal and provides for the legalization of abortion, gay marriage and the abolition of the death penalty. Church and state remains separated and religious dogma does not impact governance. The influence of Christian churches on the country's political discourse has become much weaker compared to Apartheid times, when the churches played an important role in the liberation struggle.

National, provincial and local municipalities are the administrative bodies covering the entire territory of the country. The quality of administrative bodies varies considerably, with capacity generally declining from the highest to the lowest levels of government. Major technical and managerial skill shortages exist and have an impact on efficiency with which various levels of government execute their mandate. In addition, corruption, nepotism, and maladministration, which drain state coffers, are causes for great concern. In 2012, for example, only 13 of the country's 343 municipalities received clean audits. Such bad management has resulted in below-standard governance, and translated into weak service delivery. The growing number of angry and sometime violent protests by citizens in response to poor governance has led to disillusionment with the ANC.

While 95% of South Africa's population had access to water, only 74% of South Africa's population had access to sanitation in 2012. However, both numbers have increased slightly since 2003 and the situation is much better than in the majority of sub-Saharan states.

The country's largest and most strategic state-owned enterprises (SOE), most notably the electricity provider, are in a state of total disarray. At the heart of the problem lies weak management, skills deficits and excessive government interference. The credit rating of Eskom, once the African continent's largest electricity provider, has recently been reduced to junk status, which will make it extremely difficult for it to obtain funding to address the country's capacity backlogs. South Africa experiences widespread electricity outages on a weekly basis, which effectively puts a cap on its ability to grow.

No interference of religious dogmas

9

Basic administration

7

2 | Political Participation

The fifth parliamentary elections in May 2014 confirmed that democratic elections have become entrenched in South Africa since the first inclusive elections in 1994. Elections in South Africa are organized by the Independent Electoral Commission (IEC), which has shown itself to be independent, trusted and largely uncontroversial. The only exception in recent months was the forced resignation of its chairperson, Pansy Tlakulu, after she was found to have had conflicting interests in the acquisition of the IEC's new headquarters.

Free and fair
elections

8

Shortcomings in terms of electoral management have been minimal (e.g., late opening of polling stations) and without any noticeable effect on the electoral results. As such, all elections up to date could be described as free and fair. The last parliamentary election had a turnout rate of 73.43% of registered voters, a slight decrease from the voter turnout of 77.30% seen in 2009. Prior to the elections, the Vote No!-campaign (“Sidikiwe! Vukani!”) had been launched by former high-ranking ANC members, which encouraged voters to either abstain from voting or not to give their vote to the ANC. Even so, the ANC was able to secure a majority of 62.15% of the vote and won a total of 249 seats in the National Assembly. The party had, however, lost some support (in 2009, the ANC had secured 65.90% of the vote, 264 seats). The leading opposition party, the Democratic Alliance (DA), won over 22.23% of the vote and increased their seats in the National Assembly from 67 to 89. The newly founded left-wing party Economic Freedom Fighters (EFF) reached 6.35% (25 seats). Congress of the People (COPE), a former splitter party from the ANC, faced a disaster, losing almost all of its support. The party's share of votes decreased from 7.40% to 0.67%, which reduced the number of seats drastically from 30 to only 3. Another new party, Agang South Africa (meaning “let us build South Africa”), formed by Dr. Mamphela Ramphele, the well-known academic, anti-apartheid activist, former director of the World Bank and businesswoman, received only a minimal share of the vote (2.28%) and has no viable future.

On the local level, violence occurred against newcomers challenging the dominant parties. According to the Institute for Security Studies (ISS), in a few cases violence had been directed at the IEC, with polling stations being burnt.

Concerning campaign financing, the ruling party has logistical advantages in terms of funding and access to the public broadcaster, which has often been accused of being captive to the interests of the ruling party. South African law does not require the publication of private party donations which leaves the door wide-open for the buying of influence.

All political leaders in South Africa are democratically elected. They are no social or professional groups with a veto on decision-making. The army, the South African National Defense Force (SANDF), does not interfere in politics. The only de jure veto power exists in the tripartite alliance of the African National Congress (ANC), the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP). Deployment, patronage and nepotism on the part of politicians and senior bureaucrats have hindered true democratic practices, sometimes prioritizing personal agendas over those of the state. The ANC remains the most dominant party by far, and its party headquarters, “Luthulli House,” exerts a strong influence on ANC-aligned officials and legislators. The ability of the largest trade union movement, COSATU, to flex its muscle through its powerful worker constituency and its organizational capacity has decreased. The SACP, though small, exerts disproportionate influence within the alliance, in provincial politics and in policy formulation in general, but is no longer seen as a true representative of the ideological left within the alliance.

Effective power to govern

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The constitution guarantees the rights to form associations and to assemble in Articles 17 and 18. South Africans actively use their right to protest, and in recent years, there has been a surge in protests, particularly in response to weak service delivery at the local government level. In general, these rights are respected. However, there have been cases where demonstrations by union members have not been permitted and where excessive force has been used. Such complaints have to be viewed against the growing intensity of often illegal protests and the proliferation in the number of likewise illegal “wildcat” strikes. An extreme case is the “Marikana massacre” in August 2012, in which police shot and killed 34 miners who were on an illegal strike.

Association / assembly rights

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The constitution guarantees free speech and freedom of the media. In 2010, the government introduced the controversial Protection of State Information Bill, which aimed to improve regulation and classification of state information. In its initial form, it severely limited the rights of whistleblowers and journalists, imposing prison sentences of up to 25 years for leaking or even just being in possession of classified information. The bill was met with fierce opposition from civil society (the Right2Know campaign) and the media. The Right2Know campaign gained important support from the COSATU. The political struggle over the bill continued for another two years, with over 900 amendments made by the National Assembly and the upper house (the National Council of Provinces). The bill finally passed parliament in May 2014 but the political controversy continued. It was considered possible that the legislation would be brought before the Constitutional Court. Fearing a rejection by the court, President Zuma returned the bill to the National Assembly in September 2014.

Freedom of expression

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Another shortcoming of the South African media landscape is the difficulty in gaining access to government information, despite the existence of the progressive Promotion of Access to Information Act (PAIA). In 2012 and 2013, only 16% of information

requests submitted to public authorities were fully answered. According to the latest Afrobarometer survey (2011), a substantial proportion of South Africans do not share the fears of media restriction, despite civil society campaigns. Media remains free and ownership has become more diverse. Naspers still remains the largest media group with global interests in print, broadcast and electronic media. With funding support from the Public Investment Corporation (PIC), the Independent Group has recently been bought by the Sekunjalo Group, which is closely aligned with the ANC. In addition, a group of companies owned by the Gupta family controls the 24-hour news channel, ANN7 and the national daily ANN7.

3 | Rule of Law

The South African Constitution outlines a clear separation of powers. The legislative branch consists of a two-chamber parliament, the National Assembly and the National Council of Provinces (NCOP), representing the nine provinces created in 1994. Of the 400 seats in the National Assembly, half are elected by national party lists and 200 via provincial party lists on a proportional basis without a threshold for parties to be represented in parliament. Parliament only plays a limited role via a strong executive. In South Africa, this is not only explained by the nature of parliamentary systems (characterized by a fusion of legislative and executive powers), but also by the dominance of the ANC. The party in government enforces strict party discipline and the overwhelming majority of the ANC makes it difficult for the opposition party to control the executive and fulfill its oversight function. Since the ANC governs eight provinces, the NCOP as an oversight body is relatively weak.

Separation of
powers

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The president, elected by parliament, has extensive powers. The judicial system is independent and the Constitutional Court, crafted along the German model of a Constitutional Court, is at the apex of this system. The court is a veto player in the country's governance dispensation. On a number of occasions, the court has overturned executive decisions. The relationship between the court and the ANC is often tense and from time to time, the court has been criticized by senior ANC members for obstructing the ANC's social transformation mandate and functioning as the de facto opposition.

It is worth noting here that the work of the executive has been hampered by the deployment of ANC loyalists throughout the public administration in complex patronage networks. This practice also extends to the so-called Chapter 9 institutions, which have been created to protect the constitution. One notable exception has been the current Public Protector, Thuli Madonsela. On several occasions, she has raised the ire of some in the ruling party by investigating maladministration at the highest levels. Her courageous critique of the president's excessive "upgrade" of this private residence, Nkandla, with \$23 million in public money set Zuma under intense

pressure, even from within his own party. In this particular instance, which has become very damaging for both the president and ANC, the government chose to appoint an interministerial task force in addition to the investigation undertaken by the Public Protector. As might be expected, unlike the Public Protector, the task force did not find any culpability on Zuma's part and the government has chosen to accept this less damaging report. Nonetheless, the Public Protector can be regarded as an additional check on the government.

There is no direct interference by the government in the highly differentiated and mostly effective South African judiciary. The constitution states that judges, including those of the Constitutional Court, are appointed by the president in consultation with the Judicial Service Commission (JSC). The JSC consists of judges, legal experts and members from both houses of parliament. The judiciary and especially judges are protected by the constitution. This includes protection from arbitrary removal from office, security of tenure, and a guarantee against the reduction of salaries by the government. Government influence is only possible by nominating candidates for vacant positions who are regarded as loyal. Though this is only the case with the provincial High Courts and the Constitutional Court. Calls by senior ANC politicians for transforms to the judiciary have raised fears that the executive will try to limit the court's powers.

Independent
judiciary
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South Africa possesses a comprehensive set of laws and regulations to prevent corruption and prosecute offenders. However, the state's commitment to do so evenhandedly is highly questionable given widespread accusations of selective prosecutions, largely to eliminate political opposition, and government meddling in cases against its own.

Prosecution of
office abuse
6

The effective and independent anti-corruption unit of the National Prosecuting Authority (NPA), the Scorpions, was disbanded shortly after Zuma came to power, allegedly as a reprisal for the role that this unit played in pressing charges against Zuma in an arms deal-related court case. The Constitutional Court ruled that its replacement, the Hawks, which now fell under the auspices of the South African Police Services (SAPS) rather than the NPA, was not constituted properly and not sufficiently independent. The legislation has since been amended, but the Western Cape High Court found that these amendments were likewise insufficient. This finding is currently being studied by government and a response is expected. As far as matters of corruption are concerned, the Special Crimes Investigating Unit (SIU) cooperates with the Hawks as well as the NPA on matters of corruption in the public and private sector. Unfortunately, these law enforcement agencies have become the victim of political power plays. As a result, the agencies have become reticent to prosecute high-profile crimes where politically connected individuals are involved. In other instances, heads of the different agencies have battled with each other in public. The leadership in these units have had to tow the political line or face sanction. Leadership turnaround and hence stability within the country's law enforcement

agencies has been tenuous. This inevitably has had an impact on crime-fighting. At the time of writing, an arrest warrant had been issued for the deputy head of the NPA, the head of the Hawks had been suspended for alleged impropriety, as had the head of the Independent Police Investigative Directorate (IPID). The head of the NPA remains under constant fire, with government attempting to oust him after it became clear that he remains intent on prosecuting a key ally of Zuma within the NPA.

In 2012, it became public that the president's private residence was "upgraded" with public money at a cost ten times higher than expected. This was widely regarded as a waste of taxpayer money. An investigation by the office of the Public Protector, suggested, among other remedies, that President Zuma pay back at least part of the money. The government's own interministerial investigative committee (consisting of members of Zuma's cabinet), as expected, was less harsh on Zuma's failure to act against the clear overruns on his private mansion.

Apart from these high-profile cases, corruption has also become endemic throughout the governance system, particularly at the local and provincial government levels. Much of this has taken the form of pay-offs in return for inflated government tenders, giving rise to what has colloquially become known as "tenderpreneurship." In general, government crime-fighting agencies remain relatively weak, and thus unable to fully execute their mandate. Legislation, such as the Protected Disclosures Act of 2000, the Labour Relations Act and the Companies Act 71 of 2008, is on the books to protect whistleblowers and critical journalists who are victimized or branded as enemies of the state by politicians and officials accused of corruption.

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

Civil rights are generally respected and upheld by the judiciary. In recent years, however, reports have continued of arbitrary arrests, police brutality, the indecent treatment of prisoners in custody, heavy-handed action against illegal migrants and against political actions by social movements. In 2013, the National Assembly adopted the General Intelligence Laws Amendment Bill and it became law in July

Civil rights

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2013. The main purpose of the amendment – referred to as the “spy bill” by the media and some civil society groups – is to increase the cyber security of the country. In general, the law expands and clarifies the activities of the National Intelligence Service (NIA). Critics fear violations of the right of privacy and argue that the mandate of the law is too broad and that the NIA lacks transparency.

4 | Stability of Democratic Institutions

South Africa’s democratic institutions on the national perform their functions along constitutionally defined lines; the same mostly holds true at the provincial level. The two-chamber parliament has a relatively weak position vis-a-vis the executive. This is largely the case because of the ANC’s dominance in parliament, and the fact that members of parliament are appointed in terms of a proportional representation system. In practice, this means that members of parliament, who are not directly elected, owe their loyalty to the party first and the electorate second. This has meant that the ruling party in parliament has largely taken its cue from the executive, which in some instances has simply chosen to ignore the legislature by refusing to appear before its committees. There has, for example, been a significant decline in the number of times that the president of the country attends parliamentary sessions. Attention on parliament has increased since the 2014 elections, when the more radical EFF, under the former ANC Youth League leader, Julius Malema, entered parliament. They have confronted the president head-on in parliamentary debates. In 2014, its members were forcefully removed by police from the chamber after they refused to back down on their demands for President Zuma to pay back the state money that was used to renovate his private residence. After scenes of police brutality emerged on Twitter after the previous incident, at the opening of the 2015 parliamentary session it was discovered that the National Secret Service, in anticipation of similar action by the EFF, installed a signal jamming devices to prevent members of parliament from using their mobile phones service to access social media. MPs from all parties revolted and proceedings only resumed after signal connection was restored. Again, the proceedings were disrupted by EFF members who made it impossible for President Zuma to deliver his State of the Nation Address. Again, armed plain-clothed police were used to remove EFF members from parliament. Much of this was blacked out by the Parliamentary TV channel. These proceedings, the cynical manipulation attempts by the Secret Service and the obvious bias of the parliament’s speaker, who is also the ANC National Chairperson, marked a new low for South Africa’s parliament.

Regarding the performance of regional and local administrations, it is uneven. Poor provinces and local governments are struggling to fulfill their mandates due to a lack of skilled personnel, red tape, growing patronage and institutional checks that are simply ignored or bypassed. Often, regular assessments of local councilors are

Performance of
democratic
institutions

8

missing. In some parts of the country, local government has collapsed or is bankrupt, requiring central government intervention. These interventions have not led to a substantial improvement of services, but reduced frictions between the different levels of the state administrations.

The judiciary is professional and independent, but suffers from a large caseload. The Constitutional Court and some so-called Chapter 9 institutions (government bodies such as the Public Protector or SAHRC, which are designed to protect democracy) fulfill their tasks and have not turned away from calling the ruling party to account.

The ensemble of democratic institutions is accepted by the relevant political actors. The military is professional and does not intervene in politics. The Constitutional Court and some parts of the higher-level judiciary have on occasion come under pressure from the executive for supposedly encroaching on the executive's mandate. Critical statements about the role of the court have thus far neither led to the curtailment of its powers, nor noticeable changes in the direction of decisions. The protests by MPs from the EFF during the president's State of the Nation speech in February 2015 have increased doubts whether the EFF is supportive of the idea of a representative democracy. The EFF protests in parliament have been understood by some observers as protests against the ANC-ruled parliament. So far, the party is not a relevant actor but this could change in the event they secure more votes in the local elections in 2016.

Commitment to democratic institutions

8

5 | Political and Social Integration

South Africa can be classified as a dominant party system. Since the first democratic elections in 1994, the ANC has consistently managed to garner more than 60% of the vote in parliamentary elections. Nonetheless, voter volatility has increased for years. In the last elections in May 2014, the party won 62.15% of the vote, winning 249 parliamentary seats and narrowly missing a two-thirds majority. The ANC's power compared to the second strongest party (Democratic Alliance, DA) is considerable: the DA received 22.23% of the total vote, securing 89 seats – a strong increase from 16.6% (67 seats) in 2009. Party identification to the ANC as a former liberation movement is strong, despite demographic change yielding many young voters who never experienced white minority rule. Between 2010 and 2011, 44% of the respondents in an Afrobarometer survey felt close to the ANC, compared to only 10% to the DA. The ANC, as a broad liberation movement, has strong roots in all groups of South African society. The party claims to have more than one million members.

Party system

7

The newly founded left-wing party EFF (Economic Freedom Fighters), with their charismatic leader Julius Malema, the former leader of the ANC Youth League, entered parliament as the third-strongest party with 6.35% of the vote, winning a total of 25 seats. The EFF portrays itself as an anti-capitalist and anti-imperialist economic

emancipation movement, striving to challenge existing political power for the “benefit of the people,” with a special focus on blue-collar workers and other minorities such as the Khoisan. The EFF presents itself as a radical alternative that can make good on the promises articulated in the ANC’s own Freedom Charter. As such, it advocates for, among other things, nationalization of the country’s mines. In the process, it has established itself as the most dynamic of the country’s opposition parties and many observers believe that it is set to show further growth during the 2016 local elections.

A number of smaller parties exist, but none of these, either on the left or the right are extremist in nature. While the Freedom Front Plus pursues the objective of Afrikaner self-determination, it can hardly be described as radical and continues to pursue this objective through existing democratic institutions. Since the 2011 local government elections, all signs have indicated that the country is increasingly moving toward a two-party system, with the ANC on the one side and the DA on the other. While some have suggested that the DA may have reached a “glass ceiling” in terms of its perceived inability to attract voters beyond its white constituency, it would be difficult to state such an assertion in categorical terms. The 2011, local elections pointed to slow but steady gains in black support for the party. If the EFF can be consolidated and successful at the polls, a trend toward a three party system or toward a polarized multiparty system might occur.

While party support still largely reflects racially distinct patterns of voting, it is difficult to conclude that voting is racialized, as opposed to a reflection of class preferences, because class and race largely overlap. Another factor that may play a role is demographic change. A new generation of young South Africans, born just before and after the political transition, is becoming politically active.

As the only semi-industrialized country in sub-Saharan Africa, South Africa has a well-organized system of interest groups. The organizationally most advanced groups can be found in the economic sphere. Approximately 3 million workers are organized in trade unions, which makes up 23% of all employed persons (though this proportion is lower than the 31% seen in 1994). The trade union movement is split along racial lines, as with many other interest groups. The main trade union federation, COSATU represents over 2.2 million, mostly black, workers in different trade unions in 2013. The white workforce is organized in much smaller unions. Solidarity, with its 140,000 members (2013), is the most prominent. As a member of the tripartite alliance, COSATU is politically close to the ANC. Many senior COSATU members simultaneously hold senior positions within the ANC and, as a result, COSATU exerts strong influence over labor legislation. Despite their political affinity with the ruling party, COSATU-affiliated unions often leverage their influence via intense wage strikes and protests over the past year, the hegemony of COSATU has also come under pressure from smaller militant unions that have challenged its unions. The Marikana massacre on 16 August 2012, the single most lethal use of force by

Interest groups

8

South African security forces against civilians since 1960, occurred after workers rejected a wage deal brokered between the mine owners, Lonmin, and the National Union of Mineworkers (NUM), insisting on a higher living wage that left 34 workers dead. After the massacre, the government and COSATU defended the use of lethal force as legitimate, which provoked a congress by the National Union of Metalworkers of South Africa (NUMSA), a member of the COSATU, where the connection between COSATU, ANC and SACP would be ascertained. NUMSA criticized COSATU's position on the massacre and refused to support the ANC during the 2014 elections. NUMSA has since been expelled from COSATU. Six other unions sympathetic to its cause still remain within the federation's fold, but it is unclear for how long. During the first quarter of 2015, COSATU also expelled its general secretary, Zwelinzima Vavi, a vocal critic of the Zuma administration and its governance.

Business' role in politics is less overt, but still highly influential. For some time, many have argued that, despite its alliance with COSATU, the voice of business very often counts more in places where it matters. Nevertheless, South African business remains divided. In 2012, a group of black businessmen split away from Business Unity South Africa (BUSA), the umbrella organization of organized business, and formed the Black Business Council (BBC). After some changes in BBC's leadership, a reunion with BUSA became possible.

Historically, religious institutions played an important societal and political role within the movement for political liberation. In recent years, though, the clergy has become more outspoken on issues such as poverty, inequality, corruption and also the Protection of State Information Bill. It has, however, never regained the moral voice that it had during the years of political struggle.

Besides the classic interest groups from capital, labor and religion, South Africa enjoys a wide spectrum of civil society groups and social movements. Most of the social movements are survivalist in nature and they define themselves as advocates of the underprivileged and poor South Africans. There is, however, a new breed of well-organized, issue specific social movement emerging, such as Ground Up, Section 27 and Equal Education. One of their most notable predecessors was the Treatment Action Campaign (TAC), which fought for the rights of HIV-infected South Africans, but is currently itself involved in a fight for its survival.

According to the most recent Afrobarometer published in 2012, the number of South African respondents who believe that democracy is always preferable to any other kind of government increased from 67% to 72% between 2008 and 2011. The share of South Africans advocating for a non-democratic alternative has decreased. Similarly, 60% are satisfied with the way democracy works and 66% regard the country a full democracy with only minor problems. Citizens are less satisfied with the ANC's achievements in the fight against poverty, inequality and unemployment.

Approval of
democracy
8

President Zuma remains one of South Africa's most controversial personalities and has seen his approval ratings steadily declining to about 50%. Despite his scandal-ridden past, he and his party were reelected to the National Assembly in 2014. The president's approval is uneven between the provinces. Not surprisingly, support for Zuma is highest in the eight ANC-governed provinces and lowest in the Western Cape, which is governed by the DA. Judgments about policy performance depend on specific issues. According to the polls from the Institute for Justice and Reconciliation's 2013 South African Reconciliation Barometer, only 54.5% of respondents trusted the government whereas 73.1% had in 2006. In contrast, trust in local government increased from a relatively low 50% to 54.5% in 2014.

The legacy of apartheid still pervades society and levels of trust between the country's historically categorized racial groups remains uneven. Surveys show that the level of interpersonal trust is still very low compared to European countries, for example. Trust between members of the same racial or ethnic group is higher than between members belonging to different racial or ethnic groups. This has not changed much, although there are thousands of self-help and community based organizations, but many of these organizations do not organize across the skin color line, given that communities still remain racially homogenous. Many South Africans only have contact with members of other racial groups at the workplace. The data on trust between members of different races shows a slight increase between 2008 and 2010, but is still below 40%. Most importantly, interracial mistrust continuously decreased between 2003 and 2013 by 12.5%, from 40.6% in 2003 to 28.1% in 2013. Although there are still significant historical tensions between the different population groups, trust increased in all groups except for whites after 2012.

Social capital
6

Incidences of racial hate crimes are still common and in recent years have become more widely reported. In addition, on a more subtle level, younger, educated black South Africans feel excluded from the opportunities that a democratic state should offer. Xenophobia, particularly against migrants from other African countries, remain a major challenge. The latest Afrobarometer survey demonstrates that South African respondents' trust of foreigners is decreasing. In 2008, 60% of those surveyed said that they do not trust foreigners "at all." This figure increased to 67% in 2011.

II. Economic Transformation

6 | Level of Socioeconomic Development

Although integration has taken place over the past two decades since the end of apartheid, the social divisions of race and class remain distinctive figures of South African society. About a quarter of the population is excluded from formal economic activity and is dependent on the state for social welfare in the form of pensions and grants. This picture is also reflected in international statistics: in 2011, 26.2% of the population lived on less than \$2 a day. Between 2011 and 2013, the HDI increased slightly from 0.638 to 0.658, but the country's rank remained nearly unchanged (in 2011 the country ranked 119th out of 186 countries and in 2013 it ranked 118th out of 187 countries). All in all, it is accurate to say that human development has stagnated. According to the World Bank, South Africa still has a Gini coefficient of 0.70 (0.65 in 2012), one of the highest in the world, revealing massive income disparities despite an active welfare policy. The main reason for persistent poverty and growing inequality are low levels of employment, linked to public education that does not succeed in providing the economy with the skills that are required by companies, firms and government. The official unemployment level, according to the country's 2012 Fourth Quarterly Labor Force Survey, is 25%. Between 2004 and 2012, the unemployment rate remained over 23%. The literacy rate stands at 93.7% and is one of the highest in Africa. On the Gender Inequality Index, with 0.461, the country is above the world average of 0.429 but decreased slightly compared to 2010.

Question
Score

Socioeconomic
barriers
5

Economic indicators		2005	2010	2013	2014
GDP	\$ M	257771.6	375349.4	366057.9	349817.1
GDP growth	%	5.3	3.0	2.2	1.5
Inflation (CPI)	%	3.4	4.3	5.4	6.4
Unemployment	%	23.8	24.7	24.9	-
Foreign direct investment	% of GDP	2.5	1.0	2.2	1.6
Export growth	%	8.6	7.7	4.6	2.6
Import growth	%	10.9	10.8	1.8	-0.5
Current account balance	\$ M	-8015.4	-5492.2	-21193.7	-19086.5

Economic indicators		2005	2010	2013	2014
Public debt	% of GDP	31.8	34.4	43.3	46.0
External debt	\$ M	44736.9	107130.6	139844.5	-
Total debt service	\$ M	4667.0	5932.4	9628.7	-
Cash surplus or deficit	% of GDP	-0.2	-4.0	-	-
Tax revenue	% of GDP	25.7	25.0	-	-
Government consumption	% of GDP	19.5	20.2	20.3	20.3
Public expnd. on education	% of GDP	5.1	5.7	6.0	-
Public expnd. on health	% of GDP	3.4	4.0	4.3	-
R&D expenditure	% of GDP	0.90	0.76	-	-
Military expenditure	% of GDP	1.4	1.1	1.1	1.1

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

Unlike many African countries, South Africa has never undergone a socialist experiment. For political reasons, state intervention was used before 1994 to protect the white working class against labor market competition. Therefore, parastatal companies (state-owned enterprises) still play an important role in the provision of services like energy, transport infrastructure, communication infrastructure and postal services. Nonetheless, the country is a full-fledged market economy offering easy market access for all participants. Prices are usually set by market forces, except electricity prices, fuel levies, airport charges and port tariffs. The currency (rand) is fully convertible. Compared to other African countries, where the informal sector is sometimes as important as the formal sector, South Africa's informal sector contributes only 7.1% to total GDP (2007) although between 22% and 30% of the workforce is employed in the non-agricultural informal sector. The contribution of the informal sector to total income is 11.1% (2007). In recent years, the share of employees in the informal sector has decreased as a result of government efforts to expand the formalization of the labor force, especially among domestic workers. There is no discrimination against firms based on domestic or foreign ownership.

Despite corrective policies, such as affirmative action and preferential procurement for black-owned companies to rectify the economic imbalances of apartheid, levels of poverty and inequality remain high.

Market-based
competition
9

Historically, the South African economy consisted of a number of large monopolistic parastatal structures, providing the government with a strong position in the economy. There has been a degree of restructuring of state-owned entities, but parastatals, such as Telkom, Transnet, Eskom, and Denel continue to exist. Eskom and Transnet in particular are regarded as central to government plans to expand its public infrastructure to support future growth. All these entities are, however, large, inefficiently run and unduly affected by leadership crises and political intervention. In particular, Eskom (the major supplier and owner of the country's electricity grid) has run out of reserve capacity and the country is increasingly compelled to impose scheduled power blackouts during periods of increased energy consumption, which limits the South Africa's prospects for growth. On paper, the country's anti-monopoly policy is impressive: the post-apartheid government established a Competition Commission in 1998 to prevent the abuse of dominant positions and mergers in the economy. The commission has thus far investigated several sectors and industries, and has made important rulings in this regard. The influence of the Commission, however, remains politically constrained.

Anti-monopoly
policy
8

The country re-entered the international economy and started a process of liberalization opening its markets to a large extent after the end of apartheid in 1994. In line with WTO-rules, import quotas have been removed and tariffs have been cut or lowered to a large extent with some exceptions (the textile, automotive and clothing industries). A Trade Development and Cooperation Agreement (TDCA) between South Africa and the European Union, South Africa's main trading partner, was signed in 2004. Subsequently, trade between South Africa and the European Union has increased since then. Exchange rate controls have been removed completely and the most important banks are allowed to deal with foreign currencies. In July 2014, negotiations between the EU and some Southern African Development Community (SADC) countries were concluded after 10 years of negotiations. The agreement with the EU was signed by South Africa, Botswana, Lesotho, Mozambique, Namibia and Swaziland. It guarantees duty- and quota-free access to the EU market for these countries and the EU will have access, in particular, to the agricultural markets of these countries.

Liberalization of
foreign trade
8

Like several other African countries, it has also benefitted from the African Growth and Opportunity Act (AGOA). On the international level, the country generally supports trade liberalization but also criticizes the disadvantages of such policies for developing countries. The country also has been accepted as a member of the BRICS (Brazil, Russia, India, China and South Africa) and tries to play an active role in the association.

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

Banking system
9

After a year of delay, the South African Reserve Bank (the Central Bank) started to implement the rules of the Basel III agreement in January 2013 and made progress so far. The implementation will continue until 2018. South Africa's ratio of bank capital to assets improved slightly, according to the World Bank, to 7.7% in 2013. Compared to many transformation countries this is still relatively low, but misses the Basel III standard only marginally.

Although the amount of nonperforming loans increased strongly from 1.1% (2006) to 5.9% (2009), it decreases to 3.4% (2014), which is below the average of 6.8% and much better than in many Eastern European countries.

The capital market is well-developed and the Johannesburg Stock Exchange (JSE) is the largest stock exchange in Africa and ranked 18th worldwide.

8 | Currency and Price Stability

Between 2013 and 2014, the inflation target rate of 3% to 6% was generally met, though at over 5% it hovered near the upper limit. The South African Reserve Bank (SARB), the country's central bank, is formally independent. In general, the bank compliments the government's mainly conservative fiscal policy by means of a monetary policy with the overwhelming and constitutional aim of price stability. The new governor (director) of the SARB, Lesetja Kganyago, former director general of the National Treasury, took over the office from Gill Marcus at the end of 2014. His appointment was welcomed by the business community as a sign of continuation because he had close relations to the former Minister of Finance, Trevor Manuel, who had been respected by both the domestic business community and the international community. The currency, the rand, continued its downward trend after 2012, losing 20% against the U.S. dollar and somewhat less against the euro. The real effective exchange rate index decreased by 20% between 2010 and 2013. The high volatility of the rand has various reasons. According to the Africa Development Bank, the volatility is the result of a widening current-account deficit, strike actions and a general trend of investors fleeing emerging markets. In addition, structural factors play a role. The relatively small size of the South African economy (including the Rand Monetary Area, shared with Botswana, Lesotho and Swaziland) compared to other BRICS-countries, its low savings rate and high dependence on short-term capital flows most of the time leaves the country's currency with high structural vulnerability.

Anti-inflation /
forex policy
7

All in all, the government has pursued a conservative countercyclical fiscal policy, based on a medium-term expenditure framework. Although the government debt to GDP ratio in 2014 stood at 46.1%, far lower than that of most OECD countries, this figure is almost double what it was in 2009 (the year when the economy entered its first recession in 17 years). Debt servicing costs have become the fastest growing line item in the South African budget. The government budget deficit rose to 4.2% in 2012/13, up from 3.6% the fiscal year before. From 2012 to 2013, government consumption increased slightly from 21.8% to 22.2% and is high by international comparison. The public service salary bill as a percentage of the total budget is among the highest in the world (around 36%). Unfortunately, increases in the wage bill have not been matched by commensurate increases in productivity. In 2015, the government is set to lock horns again with public sector trade unions who will demand a 10% pay increase, while the former has indicated that it will only be able to afford 5.8%, which is slightly above inflation. Currently, there are more grant and pension receivers than tax payers. Higher levels of investment on economic infrastructure has pushed up expenditure since the latter part of the previous decade, but the returns on such investment remain to be seen. Eskom's regeneration is, for example, far behind schedule and in the interim costs have ballooned. The low levels of confidence shown by international ratings agencies has further pushed up these costs. The current-account deficit stands at -5.8% (2014); an indication of the weak international competitiveness of South Africa. The country, understandably, has to import significant volumes of capital equipment for its infrastructure reinvestment program. Due to a contracting manufacturing sector, it has, however, not been able to increase its exports, despite favorable exchange rates. Continuing social unrest in the mining sector, which has slowed mineral exports, has also played a negative role.

Macrostability

7

9 | Private Property

Private property is explicitly guaranteed by the constitution. The acquisition of land and real estate is relatively easy and fast, although the implementation of land restitutions has created uncertainty as far as agricultural property is concerned. In 2014, 7 procedures and 23 days were needed for property registration under standardized conditions. Particularly the number of days ranks far below the global average of 47 days (and 6 procedures). As in all former settler countries, land ownership and restitution in South Africa are politically sensitive, ideologically loaded and emotionally difficult issues. The restitution of land had been a slow and relatively inefficient process and disappointed many ANC supporters. In 2013, South Africa commemorated 100 years since the passage of the 1913 Natives Land Act that formed the cornerstone of the dispossession of black ownership of land. Given that existing land reform efforts have not reached the target of transferring 30% of agricultural land to black farmers, President Zuma signed a new amendment to the land law in 2013. In the future, applicants will find it easier to assert their claim for

Property rights

7

the land from which they were forcibly moved during Apartheid. In recent years, the land question has become a more politically loaded issue and the ANC has been forced by the populist EFF to articulate a stronger commitment to land reform. “Land invaders” are generally being chased away by the authorities, but one wonders how long this can go on, on a sustained basis, without scaring international investors. In the beginning of 2015, the government announced that land ownership in South Africa would be restricted to a maximum of 12,000 hectares. The practice of foreign land ownership will be ended, although existing landowners will retain their properties.

Historically the state has played a prominent role in the South African economy. Large parastatal companies were formed to accelerate the country’s industrialization in the 1950s and 1960s and to create employment opportunities for whites. Today, however, the private sector is undoubtedly the backbone of the country’s economy. South Africa’s rank in the World Bank’s Doing Business report has improved consistently, and its security exchange and banking systems rank first and second in the world, according the most recent Global Competitiveness Report of the World Economic Forum. To start up a new business it continues (from the last surveys) to take 19 days (2010: 22) and it requires five (2010: six) procedures to open a new business. This is clearly below the global average of 27 days and 7 procedures. The ANC does not exclude strategic stakeholderhip in the economy in sectors that are critical for promoting the country’s development. The country’s former finance minister, Pravin Gordhan, indicated in his 2014 budget speech that the government will expand employment programs and that he views the private sector as responsible for job creation. Privatization is not currently on the political agenda because the government fears protests and the loss of influence in the economy.

Private enterprise

7

10 | Welfare Regime

20 years after the end of apartheid, South Africa continues to be afflicted by high levels of poverty, income inequality and limited access to basic services and facilities for large portions of the population. The main reason is continuous high unemployment. While poverty levels are decreasing, most gains have not been due to employment creation, but rather to the exponential growth of the country’s social grants and pension system, which today covers 16 million people, or about 30% of the population. This expansion is unsustainable due to a limited tax base. In 2015, the government announced its first income tax increase in 20 years (1% for incomes above R130,00 per annum). In terms of access to services and facilities, substantial gains have been made in the provision of public housing, access to electricity and clean water, as well as basic sanitation. The shortfall of each of the above, however, remains weak capacity and corruption, especially at the local government level, which hinder efficient implementation.

Social safety nets

6

In 2012, the government started a five-year-pilot period for the introduction of the National Health Insurance system. This system is still in a pilot phase and will be expanded over a period stretching up to 2025. Although public expenditure on health has stabilized at around 4% of GDP, HIV/AIDS remains a significant burden on the system, with over 5 million infected South Africans. Over the years, HIV/AIDS has contributed to an average decrease of life expectancy. The expansion of anti-retroviral HIV-treatment has led to a stabilization in the infection rate and has been a contributing factor to the country's increased life expectancy of 56.1 in recent years.

Following hundreds of years of discrimination, the South African Constitution was written with strong prohibitions on any form of discrimination on the basis of social class, religious belief or ethnic and racial identity. Despite this legal framework, instances of racial discrimination still occur, though the state is progressively making headway in this regard. In addition, it has also instituted legislation that provides for affirmative action in employment, ownership, and government procurement practices.

Despite these measures, South African society still remains highly unequal, with one of the highest Gini coefficients (0.70 according to World Bank, up from 0.65 in 2011) in the world. Opportunity therefore remains unequally distributed. The country's economy has a shortage of skilled workers and an oversupply of unskilled workers. This mismatch between the demand for and supply of skilled labor has further increased the wage gap between the rich and poor. The most obvious instrument to address this mismatch is the education system, despite the high literacy rate. With respect to secondary schooling, the gross enrollment ratio is high in comparison with most peer countries. The problem is more about quality. Dropout rates are high: around 50% of students do not complete their schooling within the normal 12-year period, and independent tests have shown that especially the country's math and science performance lags behind that of several other African states.

Concerning gender equality, South Africa is progressing well. The government highly prioritizes gender issues and a Department for Women, Children and People with Disabilities is located in the presidency. Women are well represented in public office, and in 2012, Mangwashi Victoria Phiyega became the country's first female police chief. Over 40% of South Africa's members of parliament, a third of the government's staff and four premiers of the country's nine provinces are women. The ANC has also introduced a 50% quota for women in senior positions within the party itself. Apart from politics, women play an important role in public life. Yet, despite these official provisions, the lived reality of many women is often different. Women have poor access to health services and they are disproportionately hard hit by poverty. Women and children in South Africa also suffer extraordinary levels of harassment, physical and sexual violence. The official figures for rape are over 60,000 cases annually. Women are also disadvantaged in access to land titles. The reasons for ongoing discrimination practices include a wide range of traditions and customs.

Equal opportunity
6

11 | Economic Performance

After the mild recovery following the recession in 2009, the South Africa economy went into a period of sluggish growth. According to the World Bank, the economy grew by 2.5% in 2012, 1.9% in 2013 and only 1.6% in 2014 (estimate). The forecast by the Economist Intelligence Unit sees 2.5% for 2015 and 3.5% for 2016. These estimates, however, are based on the forecast of a global economic recovery. The estimates fall way below the sustained 5% to 6% annual growth that the country needs to reach the National Development Plan goal of lowering unemployment to 6% by 2030. Inflation increased between 2012 and 2014 and jumped temporarily over the 6% ceiling set by the government. The biggest challenge remains the extreme level of unemployment which stood between 23% and 25% between 2012 and 2014. This figure excludes “discouraged” unemployed who have already given up looking for a job. Including this group would increase the rate to approximately 30%. Youth unemployment is severe, hovering between 50% and 60%, and is a root cause for high crime levels, drug abuse and violence.

In general, foreign direct investment is still low compared to most transformation countries but increased strongly from 2012 to 2013. Government debt as a percentage of GDP in 2014 stood at 46.1%, which remains low in comparative terms. However, the budget deficit grew to 4.2% in 2013/14, which is a sharp contrast to the middle part of the previous decade when the country enjoyed a (small) budget surplus.

12 | Sustainability

The protection of the environment is defined by the South Africa constitution (Art. 24b). A high level of awareness exists in South Africa about the need for environmental sustainability. Global climate change, the effects of raw material extraction and questions of energy security have gained more and more attention among academics and policymakers. Political responsibility for environmental issues lies in the Department for Environmental Affairs and Tourism. In 2008, the government adopted the National Framework for Sustainable Development (NFSD).

Yet the country’s environmental record is mixed. On the one hand, the country undertakes serious efforts in nature and wildlife conservation. It should be noted, though that these efforts are, to a large extent, driven by economic interests, as tourism is an important sector that contributed about 8% to the country’s GDP in 2009. On the other hand, South Africa is among the 20 largest emitters of greenhouse gases. The energy supply is mainly based on cheap coal. It is estimated that 77% of South Africa’s electricity is generated from fossil fuels. This does not mean, however, that the country is not concerned about securing renewable energy options. Major investments are currently being made in wind and solar energy. Another

Output strength
6

Environmental
policy
7

environmental concern is the high volume of waste per capita (approximately 300 kg per capita). The country also faces growing problems with the usage of freshwater. Despite its large and still growing legal framework for environmental protection, there is a large gap between regulations and implementation, sometimes due to weak capacities. In addition, some sectors, such as mining, have been granted exemptions from environmental rules.

According to data from the Environmental Performance Index, which is based on a mix of 20 different indicators that measure actual compliance with environmental policy aims and public health aims, South Africa ranks 72nd out of 178 countries. The reality is that environmental and health concerns are often subordinated to economic growth and job creation. In 2011, the South African government launched a Green Economy Accord which pays greater attention to environmental issues and gives more attention to cooperation with the private sector.

South Africa inherited a highly fragmented, racially divided and unequal education system from the apartheid era. The education of the non-white majority was, for ideological reasons, neglected for decades. The post-apartheid government made the improvement of the educational system on all levels a top priority and succeeded in increasing enrollment levels. Yet the performance of the education system in post-apartheid South Africa remains dismal. Even though access has expanded exponentially, and the country spends over 6% of its GDP on education (2012, one of the highest per capita spending rates in Africa), educational outcomes remain poor. The outcomes, especially on the primary and secondary levels are far below expectations. School dropout rates (the number of students not completing their schooling within 12 years) are close to 50%. Not surprisingly, the 2013/14 World Competitiveness Report reflects this development: South Africa is ranked 146th for the quality of its education system and last for mathematics and science education. There are several contributing factors to the continuing weakness of South African schooling. These include inappropriate curriculum choices, the socioeconomic circumstances of students, inadequate teacher qualifications, a lack of accountability in the system, and importantly, questionable behavior of the powerful teachers' union, the South African Democratic Teachers Union (SADTU), which on several occasions has crippled education in pursuit of better wages. A new study puts the share of dysfunctional schools to 75% of all schools. On the level of tertiary education, the number of students in doctoral programs is much lower than in other countries of similar status. The government has invested heavily into the university system but the number of students has doubled. R&D expenditure decreased to 0.76% of GDP in 2011/12. In summary, the weak education system serves to further exacerbate the country's high unemployment levels.

Education policy /
R&D
5

Transformation Management

I. Level of Difficulty

Compared to most other African states, South Africa boasts well-developed infrastructure, a well-developed mineral extraction industry, competitive agricultural production and world-class tourist destinations. Yet, more than 20 years after the end of apartheid, structural imbalances and deficits still constrain the government's capacity to develop the country further. Persistent severe deficits in the education system and skill shortage, partly a legacy of the apartheid system, pose serious impediments for economic growth and development. The country's relatively high average income disguises widespread poverty and constant high unemployment rates, which are to a large extent responsible for extremely high crime rates and deviant social behavior (e.g., alcoholism, drugs). UNAIDS estimates that 6.3 million South Africans are living with HIV/AIDS. The pandemic negatively affects most sectors of society and slows down industrial productivity and economic growth. In contrast to his predecessor, Thabo Mbeki, the current President, Jacob Zuma has shown a much greater commitment to fighting the pandemic (spending around 4% of GDP on health) and has broadened the program for anti-retroviral treatment.

Structural
constraints

6

South Africa has a large and diverse civil society. Although the last count of organizations (98,000 in 2001) may be outdated, it is clear that civil society remains vibrant and active. Even though they play an important role on the ground, they often lack the resources and capacity to engage with authorities on an official level. Organized civil society organizations and think tanks – mainly staffed by middle class South Africans – are better equipped to do so, but often lack a defined constituency in the poorest communities. The decades' long struggle against apartheid, and the relatively high development status of the country, explains the existence of this division in South African civil society. With the end of apartheid, the mobilization capacity of the anti-regime civil society declined, and it also suffered significant leadership losses after many top civil society leaders were co-opted into the government. In recent years, many groups have also been weakened by financial constraints, often the result from declining external support. New social movements have breathed fresh life into civil society activism. These organizations, which include the Treatment Action Campaign, Section 27, the Social Justice Coalition, and Equal Education have in some instances supported government policies and implementation, but in others launched successful court challenges where they believed that government fell short of its mandate.

Civil society
traditions

3

While South African society is becoming increasingly integrated, it is still characterized by racial polarization, stemming from a history of distrust and discrimination between the country's different racial groups. In 2014, a series of widely reported racist incidents further served to intensify levels of polarization.

Conflict intensity
5

The country's racial divisions are being reinforced by economic inequality. Although the gap has narrowed marginally, the average black household income, according to the most recent census in 2011, still only amounts to 16% of the average white household income. Although the average black household's income increased by about 170% after 1994, the gap between white and black households remains enormous. The white minority (9% of the total population) is still richer than the black majority (80% of the total population). While these socioeconomic imbalances have not given rise to persistent social conflict, instances of sporadic violence associated with these circumstances have become increasingly frequent, also motivated by political power struggles at the local government level. The lawlessness associated with these acts, and the increasingly forceful way in which authorities respond to suppress them, points to a weakening of the country's social order.

Increasingly, black middle class South Africans are challenging the status quo. Some analysts suggest that the EFF has received much of its support from this group. With the EFF, there is definitely an increase in the degree of racial polarization. During the first half of 2015, the statue of the colonialist magnate, Cecil John Rhodes, at the University of Cape Town was toppled after sustained pressure from students. Nonetheless, the general conflict intensity of so-called ethnic conflicts decreased over the two decades since the country's democratic transition.

II. Management Performance

14 | Steering Capability

The government prioritizes the consolidation of the representative democratic system and the eradication of high levels of poverty and inequality. In August 2012, the government adopted its long-term strategy, titled the National Development Plan (NDP). The detailed plan, which aims to reduce poverty through increased employment (its aim is to reduce unemployment to 6% by 2030), was developed by the National Planning Commission, which was headed by Trevor Manuel until his resignation in 2014. Over a period of 17 years beginning in 2013, the NDP advocates a "capable developmental state" and sets priorities in the field of education and training, infrastructure rehabilitation and enhancing state capacities.

Question
Score

Prioritization
8

Although it is too early to judge whether the plan is realistic and appropriate, doubts have grown. First, much of the plan's success will depend on global growth, given the target of sustained average growth of just over 5% in the years leading up to 2030. Second, much will hinge on the state's ability to improve its capacity to implement policy – a major weakness to date. Finally, and maybe most decisively, will be the extent to which the ANC and its alliance partners will be willing to make difficult decisions that require sacrifice from some or all of the partners.

Since the democratic transition, the ANC government adopted four macroeconomic strategies, the latest being the New Growth Path (NGP). None of its predecessors were fully implemented because they fell victim to power shifts within the alliance. The profile of the NGP is far less significant than that of the NDP and is often confused with the latter. Some argue that the NDP had its origins within the more centrist sections of the ANC under former minister Trevor Manuel and that the NGP was crafted by those more left-oriented in the alliance under Economic Development Minister Ebrahim Patel.

In future, the ANC may be forced to make its stance on particular issues much clearer now that a stronger left opposition seems to be developing. In the wake of the 2014 general elections, the party announced that it would embark on a program of “radical economic transformation.” Much of this rhetoric has been driven by the pressure that the ANC feels from more populist organizations, such as the EFF, who charge that after 20 years of governance the ANC has brought too little transformation.

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

To improve policy implementation, the minister for Planning, Monitoring and Evaluation, Jeff Radebe, announced the Medium-Term Strategic Framework (MTSF) in August 2014. Concrete targets and measures for five years should guarantee that the ambitious aims will be met.

Well-intended policies, such as affirmative action and broad-based black economic empowerment (BBBEE) did not reduce unemployment and have unfortunately also had unintended consequences: these include an overconcentration of government tenders in the hands of politically connected individuals, and within the bureaucracy, an overemphasis on racial quotas at the cost of skills and empowerment.

The quality of South African bureaucracy is, on the one hand, higher than in many sub-Saharan African countries, but on the other, clearly below that of many Asian transformation countries. The limited administrative capacities in policy implementation are often overlooked in the discussions about South Africa's chances of becoming a "developmental state" and following Asian success stories.

South African policy-making draws on extensive and sophisticated analysis and policy learning forms part of this process. A good example is the Medium-Term Strategic Framework (MTSF). As such, new policy usually draws on the insights of the successes and failures of the policy that has preceded it. Policy-making and policy learning are not a weakness of the South African state. In fact, over the years it has managed to craft comprehensive and credible policy responses grounded in highly technical research. The major shortcoming in its policy armor is its inability to implement and stick to policies, making it turn a deaf ear to external advice. Often ANC infighting hampers new policies and thereby ignores the fruits of policy learning. Frequently, full implementation of the insights gained from policy learning are likely to destabilize the political equilibrium within the alliance, and instead, watered down versions have to suffice. The economically disastrous power cuts have led to a complete rethinking of South African energy policy. Usually, policy learning takes a very long time and the implementation of alternative policies is not guaranteed, despite strong rhetoric by officials.

Policy learning
7

15 | Resource Efficiency

While the country's counter-cyclical approach to macroeconomic management is exemplary in many respects, its ability to spend allocated funds efficiently is severely curtailed by incapacity, maladministration and the growing scourge of corruption at all levels of government. Moreover, government salaries and wages constitute close to 40% of all non-interest budget expenditure (more than 12% of GDP). Since the 2007/8 fiscal year, the total public service wage bill has doubled. In 2015, government and public sector unions will once again head to the bargaining table for the next round of wage talks. The unions seek a 10% wage increase, while government has indicated that it cannot afford more than 5.8%. If South Africa is to achieve its 2030 targets set out in the National Development Plan, it is critical that these inefficiencies are eradicated with greater urgency. At present, too much spending is channeled to consumption instead of capital investment in the future. One structural problem lies in the fact that only 10% of taxpayers pay 50% of the income tax collected. In addition, the ratio of debt to GDP has strongly increased from 31.1% in 2010 to 46.1%, but this is still lower than in many other countries.

Efficient use of
assets
5

Policy coordination and implementation remain one of the country's biggest governance shortcomings. Although a protocol of intergovernmental relations exists, its practice has largely departed from its intended objectives. High levels of fragmentation continue to hamper integrated responses to policy questions, and departments are often driven by their own policy agendas and by lobbying groups.

Policy
coordination
7

The Ministry for Performance Management and Evaluation (DPME) should develop performance indicators for all government departments. The work of the DPME was approved by the Parliamentary Standing Committee on Appropriations in October 2013. Of the two, the National Planning Commission was more publicly visible and interacted effectively with the public on the drafting of the National Development Plan under the auspices of Trevor Manuel. In addition to the National Treasury and the Department of Trade and Industry in the economics cluster, the Zuma administration also created an additional Department of Economic Development. It released the National Growth Path document, which was broadly welcomed by the labor movement, but met only with a lukewarm response from business. Despite this policy contribution, the department is not prominent and has only a few employees. It is not clear whether the proliferation of small specialized departments improved policy coordination at all because policy implementation is still sluggish.

Corruption and maladministration has become a growing scourge, which drains valuable resources from state coffers. Ordinary South Africans are increasingly concerned about its scope and extent. The Afrobarometer survey shows that in 2011, 26% of respondents were worried about the impact of corruption on society in comparison to 2% in 1995. Although no accurate number of reported corruption cases can be given, the number of alleged corruption cases in South Africa increased drastically from 2,262 cases in 2012 to 5,485 cases in 2013. In response, government rhetoric on corruption has become increasingly tough. Yet, many feel that words are often not followed by action. Fraud and bribery, particularly at a local government level, is prevalent, and irregular practices in the awarding of government tenders at all levels of government has given rise to what is being referred to in South Africa as "tenderpreneurship."

Anti-corruption
policy
5

According to the most recent Auditors-General report, one of the major shortcomings, as far as government corruption and maladministration is concerned, is the absence of sufficient lines of accountability with too few sanctions for those who break the law. In addition to the Auditor-General, the only other prominent institution that has appeared to do its work without fear or favor has been the office of the Public Protector, Thuli Madonsela. She issued a report critical of the upgrading of the president's private villa with public funds. In October 2014, she received the Integrity Award from the international anti-corruption body Transparency International (TI). Zuma's administration also contributed to the weakening of anti-corruption fighting efforts when he disbanded the Scorpions, the former elite unit, which had a high success rate in fighting corruption and also investigated him in a

corruption case related to the country's controversial arms deal during the latter part of the 1990's.

The general public impression is that government talks tough, but acts soft on corruption and maladministration. Zuma, in particular, has been under the spotlight in recent years when it came to light that millions of dollars were used to upgrade his private mansion in the KwaZulu-Natal countryside. While government was only supposed to contribute to reasonable security precautions, a report by the Public Protector found that costs, which included a swimming pool, a chicken pen, AstroTurf and a small shop owned by one of the president's four wives, were excessive. She has recommended that the president at least pay back a reasonable proportion of the money, the exact amount to be determined by the relevant authorities. While the Public Protector did not find that Zuma personally ordered these lavish improvements (the president claims that he was not aware of the scale of renovations), it leaves serious questions about the president's judgment and his capacity for oversight. In addition to the investigation undertaken by the Public Protector, the government chose to appoint an interministerial task force. As might be expected, this task force found that although some of the costs were excessive this was due to a lack of proper oversight during the procurement processes lower down in the government administration. Court cases were lodged against some of these officials, including the architect. At the same time, ANC party officials also launched a character assassination campaign against the Public Protector, accusing her of collaborating with the U.S. Central Intelligence Agency.

16 | Consensus-Building

Although political polarization between the opposition and the ANC is high, there is still, at least on a rhetorical level, a basic consensus on the need for democracy. The forceful removal of members of parliament by armed guards, the jamming of member of parliament's mobile phone and the ANC government's response to protest, do raise questions about the practice of democracy. The new EFF party has also shown strong authoritarian tendencies in the way in which it deals with internal dissent. The basic democratic consensus, however, is still underwritten by a broad consensus on the values promoted by the South African Constitution, which was itself the product of extensive negotiation and public consultation. The death of Nelson Mandela, who personally symbolized the post-apartheid consensus, did not weaken this basic consensus.

While some of the country's apartheid wounds still exist and are perpetuated by poverty and inequality, broad consensus exists across cultural divides about the rejection of apartheid as a system of governance. Political disputes in particular about economic and social policies exists between the ANC and smaller opposition parties, particularly the largest opposition, the Democratic Alliance (DA) and the EFF. The

Consensus on goals

8

Western Cape province, ruled by the DA, is the only province not controlled by the ANC.

Political decision-makers, relevant economic stakeholders and the majority of the population, in general, have a positive view of the market economy. With the 2014 success of the Economic Freedom Fighters (EFF) at the polls, polarization about the social dimension of the market economy has increased. The EFF is a radical, openly anti-capitalist party, though it is doubtful whether it can be described as being part of a broader new consensus on the market economy. Nonetheless, the electoral success of the EFF and the prospect of a new labor movement and/or party emerging from breakaway COSATU unions, led by the National Union of Metal Workers of South Africa (NUMSA), could strengthen a shift to the political left, as the Tripartite Alliance may need to ensure that it does not lose the support of the working class.

There are no anti-democratic actors of political relevance in South Africa. Extreme right- and left-wing ideas find little traction within the broader society. Some fringe rightwing groups associated with fanatic sects exist but pose little danger to national stability. In the case of the new left-wing party Economic Freedom Fighters (EFF), it would be at this stage misleading to classify the party an anti-democratic actor. In its rhetoric, it comes out strongly in favor of democratic decision-making processes, although its own internal politics have pointed to the opposite.

Anti-democratic
actors

9

Although race is still the most defining aspect of social cleavages, it is underpinned and sustained by the major socioeconomic features of poverty and inequality. On the one hand, there is a small upper class and a growing middle class that has benefitted from the post-apartheid dispensation. On the other hand, there is a poor majority and, according to the Institute for Justice and Reconciliation, 28.4% of the population lives under the national poverty line. They are largely excluded from the formal economy and have only limited access to education. Limited upward social mobility has to some extent led to an increasing share of non-white South Africans in the middle class, often as a result of legislated empowerment measures, such as affirmative action and preferential procurement to black-owned companies. In general, however, race and social status still largely overlap. All ANC-led governments since 1994 have gone to great lengths to reduce the conflict potential of the rich-poor-cleavages by an active and large-scale social policy that involves massive financial transfers to the poor. Approximately 16 million South Africans receive some form of social grants. While these measures have reduced poverty for many, income inequality has continued to expand to a current Gini coefficient of 0.70.

Cleavage /
conflict
management

7

Given the country's apartheid history, instances of racism and racial discrimination are still frequent. While ethnic discrimination is more latent and is lower than before, its impact is no less damaging. In particular, migrants and refugees from neighboring countries often face discrimination and negative attitudes by South Africans toward these groups of immigrants are prevailing.

South African civil society is large and vibrant and comprises formal interest groups, NGOs, civic (self-help) associations, think tanks, foundations and social movements. They are mostly localized, but some, such as the Landless Peoples Movement and Abahlali baseMjondolo, have branches in different parts of the country. There are few organized civil society groups capable of engaging in the policy sphere, as they have the necessary resources to carry out research and analysis. To date, they successfully carry out their role as agenda setters. A new generation of organizations, staffed by younger activists from diverse racial backgrounds, is emerging. They communicate through social media and have launched several successful campaigns, some of which involved challenging the government in court, with great success.

Civil society participation

6

The government welcomes the activities of civil society as long as they fit into its development strategy. Critical overt political activities are much less welcomed and organizations in such activities face strong criticism. The National Development Plan pays only limited attention to civil society and the development model is clearly state centric.

To cope with the massive human rights violations of the apartheid regime and, to a minor extent, with the violence from the liberation movements, a Truth and Reconciliation Commission (TRC) was established after the end of apartheid. The work of the TRC became a model for many other countries. Today it has many critics within the country that argue that it did not go far enough in terms of championing the rights of victims. Monetary compensation to victims and the families of victims was regarded as inadequate and far below that recommended by the TRC, for example. The SA Reconciliation Barometer Survey of the Institute for Justice and Reconciliation suggests most South Africans are committed to the idea of a united and reconciled South Africa. Recent analysis puts the long-term effects of the TRC into question. The share of South African respondents believing that apartheid was a crime against humanity decreased from 86.5% in 2003 to 76.4% in 2013 according to the most recent Reconciliation Barometer. Differences in opinions between the races are strong, particularly whites are less critical of the past than non-white South Africans. The findings correlate strongly with economic status. These recent findings demonstrate that reconciliation cannot be regarded as a completed process, despite all the efforts so far. The pardoning of Eugene de Kock, one of the most brutal apartheid era assassins, after 20 years in prison for killing many anti-apartheid activists, raised emotions and public debate about the relevance of reconciliation.

Reconciliation

8

Questions about the nature of the political transition are increasingly being asked by young black South Africans who have not experienced the transition themselves, but feel that they continue to be marginalized from both a cultural and economic perspective. Among the younger generation, it is no longer uncommon to blame Nelson Mandela for their current circumstances, which are characterized by high levels of poverty and inequality and low levels of employment.

17 | International Cooperation

As a middle-income emerging economy, South Africa belongs to the group of BRICS states. According to the World Bank, South Africa received a relatively low amount of \$20.60 of aid per capita in 2010 and does not benefit from debt forgiveness. The share of the budget coming from aid hovers around 1%, much lower than in most African countries. The United States and the EU countries are the main donors. South Africa has also become a donor country itself, through facilities such as the Renaissance and International Cooperation Fund.

Effective use of
support
8

Donor support goes in particular to the social and health sectors aimed at reducing inequalities and fighting HIV/AIDS. In addition, funds are spent on infrastructure and on environmental projects. In mid-2013, the EU announced a €100 million infrastructure program for South Africa. Most of the projects are joint projects between donor agencies and their South African counterparts. In general, funds are used adequately by the South African authorities. The EU, for example, is publishing a list of projects in South Africa, which includes many success stories. External advice is in general welcomed but not always accepted by a self-confident government. Political recommendations and judgments by donors, in particular on the president and growing corruption, are sometimes met with critique or even arrogance.

International agencies and international trade partners regard South Africa as an important and credible partner with strategic significance for Africa in general. For a long time, the country enjoyed a favorable reputation, partly because of its exemplary transition to democracy with charismatic leaders such as Nelson Mandela, the post-apartheid fiscal consolidation of a state that was virtually bankrupt, a superior domestic physical and financial infrastructure, and the active diplomatic role that it has played in shaping a broader African global agenda. Some issues detract from this positive image, however, such as crime (although declining), the growing scourge of corruption, some inconsistencies of foreign policy and the conduct of its current president, Jacob Zuma, who struggles to escape rumors of corruption and nepotism. Nonetheless, the strategic importance of the country mitigates external critique from officials.

Credibility
8

Foreign direct investment is lower than in other BRICS states but increased during the last two years. According to UNCTAD, investment in South Africa doubled in 2013 making the country the top destination for foreign investment in Africa. Although investment has increased, South African economists argue that it must be stronger to support the country. Reasons for the unsatisfactory level of foreign direct investment (FDI) can potentially be found in the impact of a sluggish economy on a relatively small market. An additional concern, however, has been the weakening of labor relations, marked by an increase in unprotected strikes in key sectors (such as the platinum industry) accompanied by physical violence and the loss of life.

Since 1999, South Africa has become the major driver of African regional and continent-wide integration. Under the Mbeki administration, the country played a key role in forming the New Partnership for Africa's Development (NEPAD) and the launch of the African Union (AU). South Africa supports regional, continental and international organizations financially, and in Africa particularly, with peacekeeping troops. However, expectations that the country would become an active promoter of human rights, in particular in the sub-region and throughout the continent, have since faded. The Zuma administration has been reluctant to continue with the ambitious foreign policy agenda of the Mbeki administration and in its first term, his administration focused heavily on domestic issues. This orientation on domestic issues corresponds to the prevailing preference among South Africans. The majority of South Africans are skeptical of strong military engagement, regarding such ventures as expensive and risky. The country's decreased visibility in African diplomacy was not reversed by the election of South Africa's candidate, Nkosazana Dlamini Zuma, as the Chairperson of the Commission of the African Union (AU). Although she has been a prominent champion of the Africa 2063 Vision, which charts the course for greater development (linked to the continent's economic integration), Dlamini Zuma has not brought a new impulse and dynamic to the AU.

At the regional level, integration continues to be a priority within the Southern African Development Community (SADC). In addition, the Southern African Customs Union (SACU) still guarantees South Africa's economic influence in some neighboring states. Negotiations with the European Commission on an Economic Partnership Agreement (EPA) with SADC were concluded in 2014.

Regional
cooperation

7

Strategic Outlook

In comparison to most other African countries, South Africa will remain stable and will continue to consolidate its democracy. The country's democratic institutions are sound, anchored in a progressive and overwhelmingly accepted constitution. Over time, these institutions have come under pressure from citizens demanding faster reforms to address historic socioeconomic imbalances. There have also been authoritarian tendencies from within the ruling party, which blurred the lines between the executive and legislative arms of the government and, as such, vigilance in the protection of their independence remains important. Deficits in the political culture remain, as the persistent dominance of the ANC at the polls has led to increased patronage and clientelism.

Tensions between the different groups will likely rise again. In March 2015, a group of students from the University of Cape Town started a campaign calling for the removal of a statue of colonialist master, Cecil John Rhodes, from their campus. It is important to note that these campaigns are about more than symbols, they are also about the character of post-apartheid South Africa, which many feel still reflect the values of the old political order.

The country's economic fortunes are less certain, this may have a profound impact on its politics and broader social cohesion. These challenges remain despite a high number of strategy papers, ample resources, reliable infrastructure and a relatively developed economy. Social inequality and the continued exclusion of approximately 30% of the population from the formal economy will remain the country's Achilles' heel.

Concerning substantial reforms, stagnation can be expected from the second Zuma government. Rhetoric and populism will prevail and close the ANC ranks, but this will not lead to serious reforms. Changes are very likely on the political front. Political polarization will grow out of widespread disillusionment and dissatisfaction with the ANC government, in particular with respect to deficits in service delivery. Ongoing high levels of corruption, patronage, and arrogance by the new ruling class will widen the gap between the party and people. Many in the electorate will choose the "exit option" and abstain from voting. The majority, however, will choose the "voice option" and engage through (renewed) civil society activism and political parties. Support for the main opposition party, the Democratic Alliance (DA), will only grow if it can overcome its image as the party of whites and "Coloureds" and make further inroads into the black electorate. The strongest beneficiary from stagnation and patronage politics will most likely be the radical and populist left. Julius Malema's Economic Freedom Fighters (EFF) has already succeeded in attracting some of the ANC's black middle class vote. As the hegemony of the COSATU in the labor arena starts to fracture, the potential for new political parties to cooperate with new labor formations may alter the face of South African politics. Generational shifts also offer an advantage to opposition parties, since many voters were born after 1994 (two-thirds of South Africans are 35

or younger), they do not have emotional ties to the “glorious past” of the ANC-led liberation movement.

It remains to be seen whether Zuma’s ANC will be capable of successfully mitigating between the different factions within the party. COSATU, for long one of the staunchest supporters of the ANC, is fragmenting and in danger of losing its hegemonic position as the voice of the working class. If the EFF is able to grow and the DA continues to consolidate its support, the next period under review might see more robust political party contestation. One should keep in mind, however, that most past forecasts about the development of the party system have been inaccurate – change in South Africa takes longer than one might expect.

The following recommendations for the country and especially its political leadership have remained unchanged over the last years:

- Focus on education and employment creation, especially for the younger generation. Thus far, the government’s strategy has proven to be ineffective. The challenge lies more in improving quality than simply increasing funding.
- Advance the reform of the public sector on the local and provincial levels, by training bureaucrats, to improve government.
- Restrain political party funding by increasing transparency. Private funding is currently not subject to oversight, opening up possibilities for corruption. Civil society organizations should, and will in all likelihood, increase lobbying pressure on this issue.
- Support electoral reform that would strengthen linkages between citizens and their representatives. The closed proportional representative system gives party elites tremendous power by allowing them to nominate candidates. A modified system should aim to strengthen the role of members of parliament by introducing constituencies. Such reforms, however, should also bear in mind the potential impacts that a constituency system would have on the emergence of populist mobilization in poor communities. In addition to electoral reforms, to strengthen participation, a debate should be promoted on more direct democracy mechanisms to compliment representative institutions.
- Promote and support early warning instruments, conflict prevention strategies and crisis intervention measures to mitigate tensions that threaten to develop into open, large-scale violence. Cooperation needs to be strengthened through coordination between government and relevant civil society stakeholders.