



Institute for Security Studies

# PAPER

## South African Futures 2030 How Bafana Bafana made Mandela Magic

### INTRODUCTION

After the death in December 2013 of the beloved and globally admired first democratic president of South Africa, Nelson Rolihlahla Mandela, it is under troubled circumstances that South Africans will go to elections later this year. The 2014 elections take place against the backdrop of unprecedented turbulence in the ruling Tripartite Alliance, led by the African National Congress (ANC). Many issues underlie the current volatile situation, including the nature of leadership, extent of corruption and lack of clarity on policy.<sup>1</sup>

The purpose of this paper is to present three key 'storylines', or scenarios, for South Africa up to 2030, the year that coincides with the timeline of the government's National Development Plan – itself a divisive issue between the ANC and its labour federation ally, the Congress of South African Trade Unions (COSATU).

After a brief presentation of South Africa in an international context, this paper starts by examining the nation's current development pathway, called 'Bafana Bafana' after the national soccer team. This is essentially a forecast of 'more of the same'. It is important to emphasise that South Africa is not doing badly compared with international standards. Bafana Bafana is simply the well-known story of a perennial underachiever, always playing in the second league when the potential for international championship success and flashes of brilliance are evident for all to see.

'Mandela Magic', on the other hand, is the story of a country with a clear economic and developmental vision, which it pursues across all sectors of society. In this scenario, Team South Africa play to a single game plan

and are consistent in execution during every match, refining and harmonising their strategy as they go along. Changing the productive structures of South Africa's economy is complex and challenging, however. Competition is stiff and the barriers to success are high.

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The scenario of 'A Nation Divided' reflects a South Africa that steadily gathers speed downhill as factional politics and policy zigzagging open the door to populist policies. It is not one set of decisions or developments that might cause the former Rainbow Nation to spiral down to even worse levels of social violence, unemployment and poor performance. This is a story of the absent coach, no game plan and individual players who rely only on themselves, sometimes passing the ball, but only when absolutely necessary.

Many factors could lead to the three scenarios described in this paper. The role and leadership of the governing ANC are central to all three storylines, for '... despite the strong disappointment with the government

and its leaders, South Africans retain their faith in the democratic system and do not transfer their discontent to the ... ANC'.<sup>2</sup> There are two additional considerations. The first is the developments within COSATU, which is facing the loss of its largest member (the National Union of Metalworkers of South Africa [NUMSA]) with unforeseen consequences. The second is the extent to which – and manner in which – young voters (the so-called born frees) will participate in the upcoming elections. Therefore, Bafana Bafana is probably the most likely scenario to emerge, in the sense that the current disaffection with the ANC leadership may result in a steady decline in voter turnout, but, simultaneously, none of the established opposition parties are able to capitalise on this disgruntlement and none are able to galvanise South Africans into voting for them in sufficiently large numbers.

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## **'Nation Divided' is most likely to emerge, with the break-up of the alliance compounded by low voter turnout and discontent with the ANC under current leadership**

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In the 'Mandela Magic' scenario, new leadership could see voters support a reinvigorated alliance between the ANC and COSATU. Alternatively, if the Tripartite Alliance crumbles, voters may turn in increasing numbers to opposition parties such as the Democratic Alliance (DA). In this scenario, either a reinvigorated ANC or a weaker ANC but stronger opposition parties could deliver the same positive result.

Against the background of the recent turbulence within COSATU, 'Nation Divided' is most likely to emerge with the break-up of the alliance compounded by low voter turnout and discontent with the ANC under its current leadership. In this scenario, concerned by the apparent rise of radical parties to its left, the ANC scrambles to adopt a raft of populist and ultimately self-defeating policies.

The impact of the policy and leadership choices that South Africans will make in the years ahead, explored in this paper, is significant. The South African economy could grow 23 per cent larger in 'Mandela Magic' compared with its current growth path ('Bafana Bafana'). Alternatively, it might be 18 per cent smaller should the

'Nation Divided' scenario come to the fore. 'Mandela Magic' would deliver by 2030 an economy more than \$161 billion (R1 549 billion) larger than the current trajectory of 'Bafana Bafana'.<sup>3</sup>

However, 'Mandela Magic' and a 'Nation Divided' are not to be read as best-case and worst-case scenarios. South Africa may do considerably better or worse than either. In fact, an earlier publication by the African Futures Project, which is discussed below (see 'Building on previous work') set even higher achievable growth rates for South Africa than presented in this paper under the 'Mandela Magic' scenario. The intention with each scenario set out in this paper is to provide plausible combinations of events from clear antecedents in 2013, looking ahead to the 2014 elections and beyond. The approach is that the elements that emerge fully formed in each scenario have their roots in current reality.

## **SCENARIOS IN SOUTH AFRICA'S RECENT HISTORY**

A scenario is a story about the future, a sequence of events that unfold over time, and that are coherent, internally consistent and plausible. To model the scenarios presented here, the paper relies on the International Futures forecasting system (IFs),<sup>4</sup> which is developed and maintained by the Frederick S Pardee Center for International Futures at the University of Denver. Using this system, one is able to quantify and compare some of the costs and benefits of alternative futures. IFs is an integrated assessment system that models relationships and interactions within and across key global systems in 186 countries from 2010 to 2100. Additional information on IFs is available at the African Futures Project website ([www.issafrica.org/futures](http://www.issafrica.org/futures)), as well as [www.ifs.du.edu](http://www.ifs.du.edu) (which hosts the full model). The specific interventions that are used for the scenarios in this paper, as well as summary information on IFs, are contained in the annex.

Scenario development (of various types) has been an important part of South Africa's recent history. The 1991/92 Mont Fleur scenario exercise (named after the hosting conference venue)<sup>5</sup> brought a range of South Africans together from across different sectors in the midst of huge uncertainty. The four scenarios – 'Ostrich', 'Lame Duck', 'Icarus' and the hopeful and visionary 'Flight of the Flamingos', played an important role in shaping decision making during that period of great uncertainty in South Africa.

COSATU's September Commission released its scenarios on the future of the unions in August 1997 (titled 'The desert', 'Skorokoro' and 'Pap 'n vleis and gravy').<sup>6</sup> Based on the economic policies pursued by the ANC (which the commission defined as 'conservative, zigzagging or social democratic'), it is clear that the vision

that has emerged is the uneven and unequal scenario 'Skorokoro' (meaning beaten up old car) with its associated social fragmentation and culture of enrichment. Inevitably, South Africa's economic choices have proven to be central to the current uncertain situation and there is no lack of hindsight commentary on what the ANC or government could have done differently.

In September 2008 (the month that Thabo Mbeki was recalled by the ANC as president), the hitherto powerful Policy Co-ordination and Advisory Services (PCAS) in the South African Presidency released a report entitled 'South Africa scenarios 2025: The future we chose?'<sup>7</sup> The three scenarios contained in the report were called 'Not yet Uhuru', 'Nkalakatha' and 'Muvhango'. After the transition to a new president and following decisions made at the 52nd National Conference of the ANC at Mangaung, the 'South Africa scenarios 2025' had limited impact, in part due to the subsequent restructuring of the Presidency, which saw the establishment of the Department of Performance Monitoring and Evaluation (DPME), and the disbandment of Mbeki's PCAS under President Jacob Zuma.

The following year, in 2009, a sense of crisis and drift saw an impressively diverse group of South Africans from all political walks come together to develop the Dinokeng Scenarios<sup>8</sup> (titled 'Walk apart', 'Walk behind' and 'Walk together'). The rationale for developing these scenarios was that, despite its many achievements, South Africa stood at a crossroads and faced critical social and economic challenges that were exacerbated by a constraining global environment.<sup>9</sup>

That 2009 sense of crisis has not dissipated. In fact, the International Monetary Fund's (IMF) October 2013 *Country Report on South Africa*<sup>10</sup> recently provided the following summary outlook and risks for the short to medium term:

The outlook is for continued sluggish growth and elevated current account deficits, reflecting global developments and important domestic factors. Absent structural reforms, growth will be insufficient to reduce unacceptably high unemployment. Risks are tilted firmly to the downside, especially from lower capital inflows, though stronger implementation of the National Development Plan (NDP) would improve the outlook.

One of the more significant initiatives of the Zuma administration was to launch a process to develop a forward-looking, long-term strategy for South Africa. This effort resulted in a comprehensive diagnostic report in June 2011 and eventual publication of the bulky National Development Plan 2030 (NDP 2030) in 2012, referred to by the IMF above. There are various other sectoral strategies and plans that precede the NDP, such as the

2010 Industrial Policy Action Plan (IPAP) and the 2011 New Growth Path (NGP), published by the Department of Trade and Industry and the Department of Economic Development, respectively. The result is a complicated policy mosaic that is not easy to navigate, and at times appears less than coherent, although there is much within the NDP 2030 that draws on the other plans.

Certainly, these three frameworks each present differing analysis and prospects for the South African economy, reflecting, on the one hand, the contradictions within the governing Tripartite Alliance, but also the evolution of policy over time.<sup>11</sup> From what follows, it is evident that South Africa has advanced steadily on a path to a more evidence-based model of governing, as opposed to one based on ideology.

## BUILDING ON PREVIOUS WORK

Governing is not easy, and the choices that the South African government has to make involve complex trade-offs that inevitably leave many citizens feeling dissatisfied and even angry. The most recent paper published by the African Futures Project (see [www.issafrica.org/futures](http://www.issafrica.org/futures)) deals with the energy choices that confront government and the associated implications, financially and environmentally, in allowing fracking for gas in the Karoo. The conclusion is that shale gas could be a transition fuel for South Africa if care is taken to reinvest some of its gains in renewable energy.<sup>12</sup> This paper includes the three scenarios developed for that earlier study in the forecasts that follow.

In October 2013 the African Futures Project reviewed South Africa's population forecasts and concluded that government planning may be somewhat off track, given the project's updated forecast of 8 million more people by 2030 than the NDP 2030 forecast of 58 million.<sup>13</sup> The associated implications of this ripple out across the country, and would necessitate more schools, housing, infrastructure and social services in various provinces, which may be in excess of the requirements currently envisaged by the authorities. The updated population forecast from that previous report is used in this paper.

In July 2013, the African Futures Project analysed the key economic growth target, as set out in the NDP 2030, and concluded that, although very ambitious, an average growth rate of 5,4 per cent from 2014 to 2030 is achievable, although difficult.<sup>14</sup> Our analysis emphasised the challenges in realising such a target, and the vested interests that will complicate and could frustrate progress. Consequently, the most optimistic growth forecast included in this paper is slightly lower than the NDP 2030 target.

As always, the result is informed by teamwork, not only among key staff at the Institute for Security Studies (ISS), but also with our partner organisation at the University of

Denver, the Frederick S Pardee Center for International Futures. Their unique forecasting system (IFs) provides an insightful tool to help understand the future implications of current choices. In addition, this analysis benefits from a series of off-the-record discussions and expert round tables during the last quarter of 2013, as well as numerous individual interviews and consultations with key analysts both inside and outside of government. The views and analysis presented here are, however, those of the author and not the ISS or its partners.

## The scenarios assume a stable and relatively benign external environment, with average growth rates for China at 8 per cent and 1 per cent for Europe

What follows is skewed towards the drivers of economic growth and welfare, and care has been taken to use recent data and reports as well as to convert all financial figures into 2013 rand and/or 2013 dollar values, and thereby provide as current a picture as possible.

### EXTERNAL ENVIRONMENT

The scenarios that follow assume a stable and relatively benign external environment, with average growth rates for China at 8 per cent and with Europe recovering to an average of 1 per cent growth over the 17-year period from

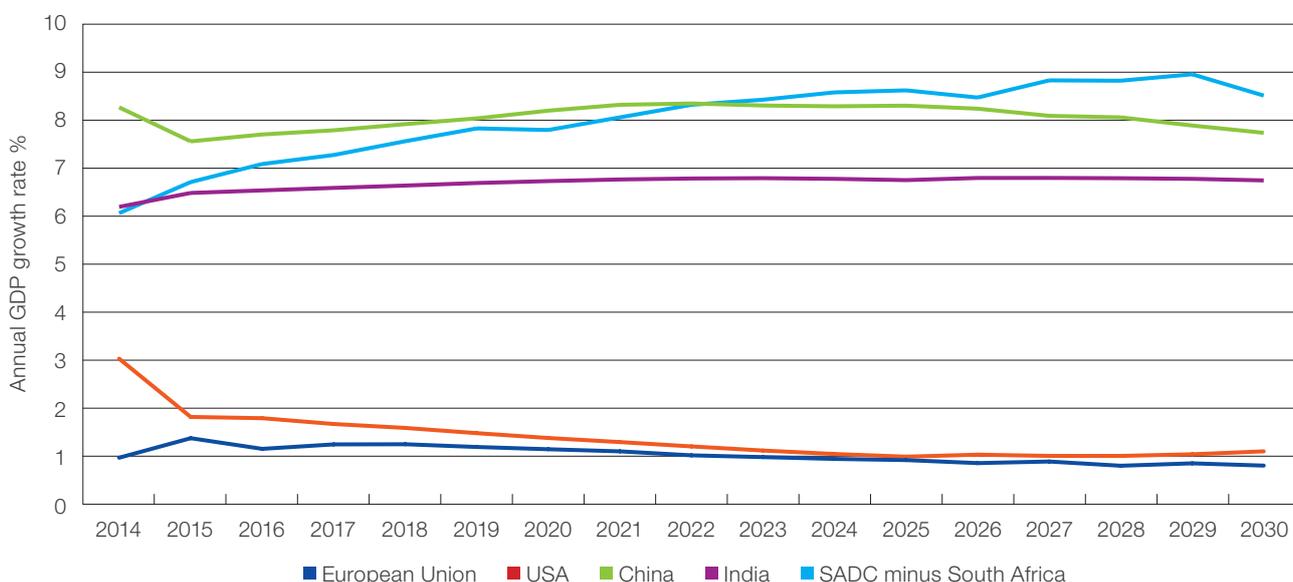
2014 to 2030. This is reflected in Figure 1. The US economy is expected to grow a bit faster than that of the European Union (EU), at an average of 1,5 per cent over the same period. The IFs base-case forecast, which we use as the default external environment, is that the combined economy of the 55 African countries will grow at an average rate of around 5,6 per cent between 2014 and 2030, which is significantly higher than global average growth of slightly above 3 per cent. A number of African countries could grow at very high rates, although from a very low base.

Figure 1 includes a forecast of annual growth rates for the Southern African Development Community (SADC) minus South Africa, and shows that these rates are expected, on average, to eventually overtake China's. As a result, an increased number of African countries would feature in the top 20 fastest-growing countries globally.

The forecast of generally higher rates of growth in Africa has recently received considerable public attention and associated analysis. An earlier monograph<sup>15</sup> produced by the African Futures Project set out the authors' views on the reasons for these improvements. These range from the population dividend, changed disease/health burden, evidence of more responsible macroeconomic management and reform, improved agricultural output and industrial management, more stable political frameworks, more effective aid, targeted debt relief, increased domestic revenues, growth in remittances and foreign direct investment, the rise of the South (China in particular) and, finally, the extent to which Africa has been able to benefit from the commodities boom.

The size of the total African economy is expected to increase two and a half times in market exchange-rate terms (from around \$1 616 billion in 2013 to \$4 040 billion

Figure 1 Comparative forecast of GDP growth rates



by 2030). Much as there is well-deserved excitement about the rise of Africa, it is important that these growth prospects are considered in context, as the continent's relative size as part of the global economy will continue to remain modest throughout the period. Africa currently constitutes around 2,5 per cent of the global economy, and this figure will have increased to roughly 3,8 per cent by 2030. On a per capita basis (in purchasing power parity terms), Africa's GDP will grow steadily from \$3 234 in 2013 to \$4 751 in 2030 – a growth rate that is slower than the global average (implying that Africa continues to lag behind), but growth that is nevertheless steady and pronounced over time.

For reasons that we explain below, South Africa is deeply embedded in the international system, and its future growth is particularly tied to demand not only from Africa, the region where it has a number of advantages over competitors such as China (now its largest trading partner), but also Europe and North America.

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## South Africa is experiencing uncertain times as it normalises from being the favourite post-liberation poster child to simply another emerging wannabe

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Average growth rates for the rest of southern Africa are expected to be significantly higher (at almost 8 per cent average per annum) than for South Africa. This is due to the low base from which many neighbouring economies are growing and the diversified nature of the South African economy by African standards. In the continent, investor interest will undoubtedly shift to large markets such as Nigeria and Ethiopia, and South Africans will have to work hard to retain their image as the gateway to more than just the BLNS (Botswana, Lesotho, Namibia and Swaziland) countries. The huge potential of the Nigerian consumer base will attract significant investor interest almost irrespective of the current levels of sub-state terrorism in the northern parts of the country.<sup>16</sup> Should Nigeria remain relatively stable during the time horizon under analysis and improve on its poor governance, these developments will eventually allow it to contest South Africa's position as the only African member of BRICS (Brazil, Russia, India, China and South Africa) and the G20 group of countries, and might frustrate South Africa's ambitions to gain more permanent seating in a reformed UN Security Council.

South Africa, until recently the largest economy on the continent (the announcement of a \$400 billion-plus Nigerian economy is imminent after its recent rebasing<sup>17</sup>), is experiencing uncertain times as it normalises from being the favourite post-liberation poster child internationally to simply becoming another emerging wannabe.

The future of South Africa is not merely a function of the governing party: the country also has a substantial and diversified private sector, a robust and independent media, strong institutions, including its judicial system, which is premised upon an active civil society, and an organised labour sector. These all serve to enrich (and complicate) governing. However, the ANC, Africa's oldest liberation party and currently governing with a mandate just shy of a two-thirds majority, has a grand self-image as emancipator of more than South Africa. It sees itself as African protector and guarantor of the rights and welfare of all South Africans, poor black South Africans in particular. Based on its own ideological background, and drawing from the experience of China and others, it accords a particularly important role for the state in this upliftment and patriarchal role. Despite its current domination of South African politics, the ANC is also a party in crisis on various fronts.

For the purposes of this paper, the challenges in the party's developmental policies are particularly pertinent. As academic and writer Adam Habib points out, 'the ANC is a divided party apparently seeking its collective economic *raison d'être*'.<sup>18</sup> When elected in 1994, the ANC government inherited a country in a deeply troubled financial situation. Two years later, it embarked upon the Growth, Employment and Redistribution strategy (GEAR) to stabilise the economy and allow growth to resume. The results were impressive, and despite its many detractors, GEAR delivered substantial growth and employment creation for a number of years. Subsequent analysis would often point to a simultaneous increase in inequality, but the reasons for this should arguably be sought in the failures of the education system, a rapid fall-off in state efficiency and lack of microeconomic reform, rather than in the economic strategy alone.<sup>19</sup>

The policy direction in 2014 is less evident. An apparent leftward shift in policy under President Zuma after his appointment in 2009 (aka the NGP and the revised IPAP – mentioned above) appears to have a different tilt to the NDP 2030, most recently adopted by the ANC and endorsed by Parliament. The demand of a global world, into which South Africa is already integrated, and some of its strongest domestic constituencies are pulling the party in different directions. The ANC is caught between the two.

Before moving on to the presentation of the three scenarios, 'Bafana Bafana', 'Mandela Magic' and a 'Nation Divided', the following two sections provide a brief analysis of South Africa in 2013/14.

## SOUTH AFRICA IN 2013/14

### *South Africa in the global and regional context*

Accounting for 0,5 per cent of global GDP, South Africa is the 27th largest economy in the world, making it slightly smaller than that of Austria and Norway, and slightly larger than that of Argentina and Denmark.<sup>20</sup> By way of comparison, the Chinese economy (still much smaller than the US economy) adds an economy equivalent to the size of South Africa's every three and a half months even when it is growing at the modest rate (for China) of 7,5 per cent per annum.<sup>21</sup>

If measured in terms of purchasing power parity on a per capita basis (GDP per capita at PPP), a more appropriate comparison of the comparative wealth of the average citizen, South Africa ranked 76th in the world (at \$11 820 per annum) in 2013, which is comparable to Brazil and Serbia.

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## The only region with which South Africa has a trade surplus is Africa, mostly due to increased exports to Mozambique, Zambia, Zimbabwe and the DRC

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The global slump in demand that started in 2007 had an inevitable negative impact on a small, open country and the South African economy has stagnated. In recent years, the South African government has pursued a political strategy of hitching South Africa's fortunes to the BRIC countries (Brazil, Russia, India and China), an ambition complicated by the fact that China and, to a lesser degree, India are in various ways economic competitors to South Africa in emerging Africa, particularly as a market for manufactured goods.

The South African economy is intimately linked to the European, Asian, American and African economies, all of which have gone through difficult times since 2007/08 despite resilience in China and much of Africa. The picture is of large South African trade deficits with key regions. For example, during 2012 South Africa experienced the following:<sup>22</sup>

- A trade deficit with the Americas of R18 billion. A particular feature is the high correlation of the performance of the Johannesburg Stock Exchange

(JSE) with the performance of US equities. Therefore, a sustained phase of growth in the US economy is good news for the JSE.<sup>23</sup>

- A trade deficit with Europe of R86,3 billion. The EU is South Africa's largest trade and investment partner, with investments worth about R1 trillion out of the R3 trillion GDP.<sup>24</sup>
- A trade deficit with Asia of R139,4 billion.
- A trade deficit with Oceania of R5 billion.

The only region with which South Africa has a trade surplus is Africa (a positive figure of R40,9 billion in 2012, up from R36,6 billion in 2008), mostly due to increased exports to Mozambique, Zambia, Zimbabwe and the Democratic Republic of Congo, consisting of machinery and mechanical appliances, base metals, vehicles, aircraft and vessels, and chemical products.<sup>25</sup>

If Africa is important for South Africa, the reverse is equally true, in that South African growth and stability are also important for Africa.

If foreign investments into South Africa are removed from the picture, Ernst & Young calculate that South Africa was the largest investor in Africa in 2012, larger even than China (Africa's largest trading partner) and the US (still the largest global economy).<sup>26</sup> This is reflected in the changes to South Africa's import footprint in Africa in the past two decades. Whereas, in 2000, only 2 per cent of total imports originated from Africa, this increased to 12 per cent by 2012.<sup>27</sup>

South Africa is one of only nine upper-middle-income economies in Africa<sup>28</sup> and the fourth most populous country on the continent. The JSE, at \$800 billion market capitalisation, is more than ten times larger than any other African stock exchange and represents 80 per cent of Africa's entire equity capital markets. On a liquidity basis, the JSE has an average daily trading value more than 200 times larger than the Nigerian stock exchange.<sup>29</sup> If Gauteng (South Africa's richest province) were a country, its economy would rank as the fourth-largest economy in Africa, with KwaZulu-Natal and the Western Cape the eighth- and ninth-largest economies in Africa, respectively.

The result of South Africa's trade imbalances with virtually all the larger economies globally is a regular, large current-account deficit (estimated at around 6 per cent for 2013).<sup>30</sup> This situation is compounded by the weakening of the rand as the country essentially imports inflation despite the short-term benefits (i.e. increased income from exports in the short term) that it has for the economy. Currently, South Africa finances its current-account shortfall through capital inflows from foreign investors buying local bonds and acquiring equity in local companies.

Its dominant position in Africa and global iconic status has allowed South Africa to punch above its weight diplomatically, and it has achieved a number of its key foreign-policy ambitions. The transition from apartheid to democracy and the towering reputation of Nelson Mandela attracted global admiration for a country that managed to avoid civil war in the process of democratisation. This was followed by President Thabo Mbeki's diplomatic activism heralding the beginning of the African Renaissance, the recent invitation to join the BRIC countries and the emergence of a 'Zuma doctrine' on foreign policy that has seen greater assertiveness than before.<sup>31</sup>

The forthcoming establishment of the South African Development Partnership Agency (SADPA) aims to coordinate South Africa's external development cooperation assistance. South Africa places particular emphasis on South-South cooperation and the country intends to use the agency as an instrument of foreign policy that not only serves altruistic purposes, but also with a view to improving trade. Contrary to much popular writing, field research conducted by the ISS in a number of African countries indicates that South African investment and businesses are generally well received elsewhere in Africa.<sup>32</sup>

South Africa is the only African member state of the G20. Furthermore, despite severe competition it managed to ensure the election of its candidate, Dr Nkosazana Dlamini-Zuma, as chairperson of the Commission of the African Union in 2012 – and did so against the expectations of most analysts, as well as opposition from Nigeria and its allies in West Africa. With two recent terms in rapid succession as non-permanent member on the UN Security Council, and diplomatic representation only second to that of Egypt in Africa,<sup>33</sup> South Africa has emerged as an important voice and actor internationally and on the African continent, typical of its middle-power aspirations and views. Yet a recent survey done by the University of Stellenbosch points to numerous contradictions that clutter the state's foreign policy-making domain:<sup>34</sup>

... a widely pronounced commitment to an 'African Agenda' amongst the political elite, set against severe levels of xenophobia amongst the poor ...; increasing trade and economic ties with China, including Chinese sponsorship of South African membership of BRICS, set against massive Chinese imports which have, for example, decimated the local textile industry; and enunciating a commitment towards 'democratizing' international institutions, yet having to tolerate one of the world's last absolute monarchies [Swaziland] in its own backyard.

The study found that South Africans, across race and class, have a pragmatic view of international relations and are 'committed to improving the world if that means improving the quality of life for all at home'.<sup>35</sup>

### *Current South African domestic context*

To the uninitiated, South Africa appears to be perennially in crisis – the doomsday clock stuck at one minute to twelve. While there is little doubt that the country faces leadership challenges and requires a comprehensive resetting of key social, economic and political systems, the perennial sense of crisis discernible in the news media is not borne out by deeper analysis of the structural conditions. In reality, South Africa's structural growth prospects are quite healthy.

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## **The perennial sense of crisis is not borne out by deeper analysis. In reality, South Africa's structural growth prospects are quite healthy**

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On a comparative basis, the scope and depth of South Africa's transition to democracy remain unparalleled globally. Nevertheless, many young voters that were born shortly before or after the 1990-1994 transition<sup>36</sup> are increasingly disconnected from the past and those who lived through these exciting years are sometimes disillusioned. The result is considerable discord in the public analysis and commentary, which perceives the government-affiliated media as promulgating a positive storyline that is at odds with the highly critical analysis elsewhere. Race remains an important issue in South Africa, but the divisions much more complicated than in the past. The large number of poor black South Africans have little contact with other races, whereas there is evidence of much greater tolerance and engagement among middle-class South Africans.

In November 2013, alarmed by what it termed a debate that had become 'somewhat hysterical, short-term and often negative',<sup>37</sup> the Johannesburg office of Goldman Sachs published a 20-year review of South Africa in an effort to provide a more balanced perspective. Rich in statistics the publication set out ten areas in which South Africa had made structural advances, ten major challenges and ten key issues that need to be addressed in the short term. Among others, the report pointed to the fact that the South African

economy had more than doubled over a 20-year period to close on \$400 billion today; that employment had grown by around 4,1 million (although the figure is insufficient to reduce the aggregate percentage of unemployed people); and that significant improvements had been made in the reduction of poverty. The Goldman Sachs review reminded South Africans of their dismal apartheid legacy and the remarkable subsequent period of 'golden' growth and peace from 1994 to 2007, when the global recession hit.

The report summarised, among other things, the steady progression in South Africa's Living Standards Measure (LSM) profile (a standard model used to measure the population in ten income categories – see also Figure 2). In summary, the report found that:

Between 2001 and 2010, the number of people living in the LSM 1–4 categories ... decreased significantly from 52% to 31%, resulting in 4,6 million less people in the lower income group. And the number of people in the LSM 5–10 increased from 48% to 69%, resulting in almost 10 million people graduating into the middle to upper band. This is an average of 1 million people over a 10-year period, a truly remarkable development. The largest numbers of people are now in LSM 5–6 (middle income) with 12,3 million, [up] from 7,3 million a decade earlier.<sup>38</sup>

The twelve priority outcomes (see text box) that drive government work are based on the ANC's election manifesto, the Presidency's Medium-Term Strategic

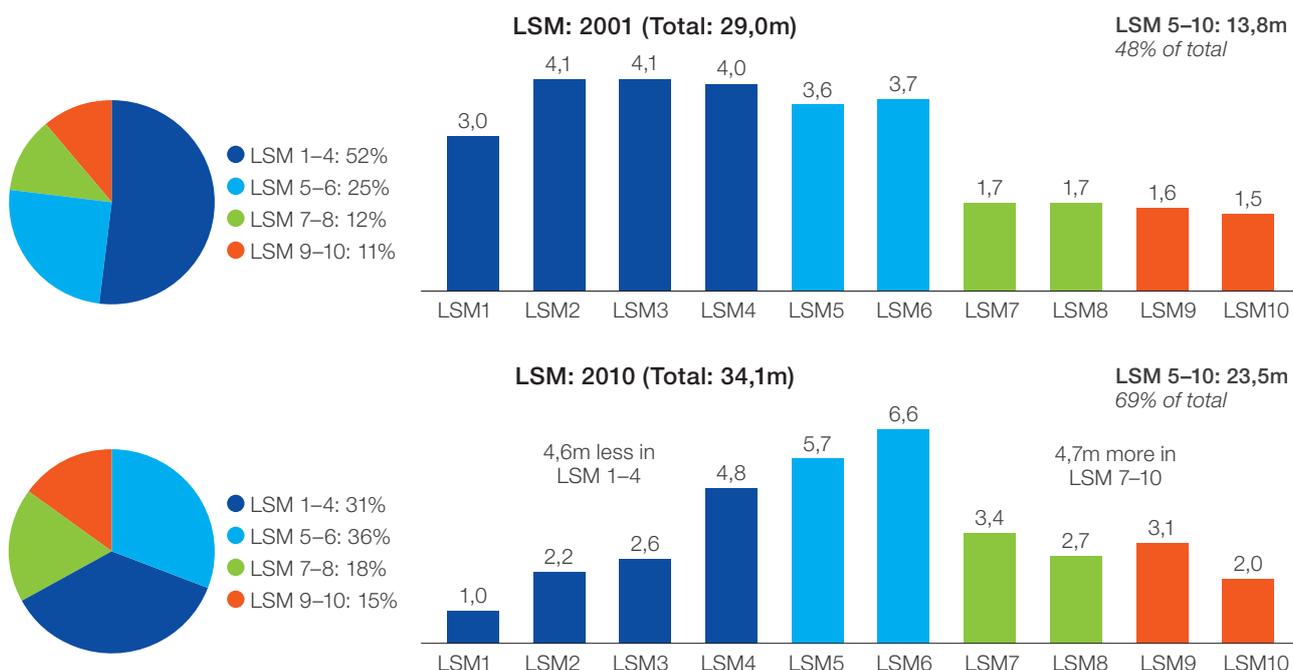
Framework, and consultation and discussion at both ministerial and administrative levels.<sup>40</sup>

On the one hand, government appears to be making steady progress in terms of modernising its governance systems and reducing absolute poverty through social grants. The Presidency is in the final stages of rolling out a comprehensive, cyclical national evaluation plan, which, by 2013/14, would include reporting at provincial level. On the other hand, the NDP 2030 calls for a relentless effort to build a professional public service and recommends that key appointments, such as in the police service, should be made solely on the basis of merit and follow a transparent process.

## By mid-2013, South Africa had an unemployment rate of 25,6 per cent. The youth unemployment crisis became particularly severe reaching 52 per cent

This is in contrast to recent practice of strategic political appointments to key positions that has had a debilitating impact on service delivery and people's trust in government. Examples include the appointment of a succession of inexperienced police commissioners, two

Figure 2 Improvements in Living Standards Measure (LSM) (South Africa, 2001–2010)<sup>39</sup>



The South African Government's 12 national key outcomes are as follows:<sup>41</sup>

1. Improved quality of basic education
2. A long and healthy life for all South Africans
3. All people in South Africa are and feel safe
4. Decent employment through inclusive economic growth
5. A skilled and capable workforce to support an inclusive growth path
6. An efficient, competitive and responsive economic infrastructure network
7. Vibrant, equitable and sustainable rural communities with food security for all
8. Sustainable human settlements and improved quality of household life
9. A responsive, accountable, effective and efficient local-government system
10. Environmental assets and natural resources that are well protected and continually enhanced
11. Create a better South Africa and contribute to a better and safer Africa and world
12. An efficient, effective and development-oriented public service, and an empowered, fair and inclusive citizenship

of whom were forced to resign; the appointment of a National Director of Public Prosecutions who had to leave after the Supreme Court of Appeal found his appointment irrational; the appointment of a relatively inexperienced and junior chief justice as head of the Constitutional Court and Judicial Services Commission responsible for appointing new judges; and efforts to protect the head of police crime intelligence, who is facing a raft of serious criminal charges. Despite these examples, however, a review of the Zuma Cabinet reveals, with clear exceptions, a coterie of capable and committed leaders who have, in many instances (such as in the Department of Health) been vast improvements on their predecessors.

A particularly impressive example of progress was the establishment in 2009 of the Department of Performance Monitoring and Evaluation (DPME) in the Presidency. In some sense, the DPME is a successor entity to President Mbeki's PCAS, but it is more operational and technical in its mandate. It gives effect to a 2005 policy framework for the establishment of a government-wide monitoring and evaluation system. In June 2011, the Cabinet gave a mandate to the DPME to implement management performance assessments for all national and provincial

departments on an annual basis, and, in November that year, approved the National Evaluation Policy Framework.<sup>42</sup> This framework includes a commitment to full disclosure of all government evaluations apart from classified information, which occurred in September 2013 with the publication of its web-based Evaluation Repository.<sup>43</sup>

The key publication concerning the administrative efficiency of government at national level is the annual report of the results from the Management Performance Assessment Tool (MPAT). MPAT is a self-assessment tool that allows departments to assess their key performance areas (i.e. how efficient and effective they are), but does not assess the results of policies and programmes; this is done separately.<sup>44</sup>

The first MPAT assessment was conducted in 2011/12, when 103 out of 156 national and provincial departments completed the self-assessment. The results were submitted to Cabinet in May 2012. According to the self-critical report, which was released by Minister Collins Chabane in September 2013, 'the results of the 2012/13 assessment indicate that, whilst some departments made some strides, there has not yet been any significant improvement in the average level of compliance with regulatory frameworks and policies, a picture that correlates well with the findings of the Auditor-General.'<sup>45</sup> In addition, the report notes that: 'The perception that provinces are the main reason why the public service overall is under-performing is not supported in general, since national departments only come out third on average across the KPAs [key performance areas]. The weakest of national departments' KPAs is Strategic Management.'<sup>46</sup>

The youth employment crisis in South Africa is particularly severe, illustrated by the fact that in the second quarter of 2013, South Africa had 13,72 million employed people out of a total economically active population of 18,44 million. The agriculture sector employed 700 000 people; mining employed slightly more than 370 000; the rest of the working population were employed in the household and tertiary sectors of the economy. By mid-2013, 4,72 million people were unemployed and looking for a job – an unemployment rate of 25,6 per cent. The labour absorption rate of the South African economy in the third quarter of 2013 was 41,9 per cent (down from 44,7 per cent in 2007) and the youth unemployment rate (those aged 15–24) reached about 52 per cent as job growth failed to keep up with new entrants to the labour market, although a portion of people in this age group is engaged in education.<sup>47</sup>

These figures become even more concerning when one considers that the future of these youngsters will remain bleak: the longer a person is without a job, the less likely are that person's chances of ever getting one. The result is a vicious circle in which young people leave school without adequate numeracy and literacy skills;

employers reject high-potential youngsters because the school-leaving certificate is not an accurate indicator of ability or potential; and the economy creates too few jobs.

According to Statistics South Africa, national unemployment rates have generally remained stagnant from 2003 to 2013, hiding large disparities between provinces over the ten-year period. The Free State has fared the worst as agriculture and mining contracted, losing 98 000 jobs over the period, whereas Limpopo added 345 000 jobs.<sup>48</sup> Figure 3 shows the unemployment rates per province, and the composition of that segment of the population is shown by race in Figures 4 and 5.

Given its current low-skilled and semi-skilled workforce, South Africa needs jobs to match such skills. South Africa has squandered two decades in part through a never-ending process of restructuring in the education sector, and the current signs of improvements in grades 1 to 6 have come too late to save a generation of young South Africans from a bleak future.<sup>50</sup>

South African state schools generally rank at the bottom of the pile when compared with education in other countries with schools in poor areas (therefore largely black) doing worst of all. The grade-12 pass rate has steadily improved year on year to a figure of 78,2 per cent for 2013, but this is not only due to improvements and stability in the system and comes with a dropout rate of 60 per cent from grades 1 to 12. In a process known as 'culling', weak pupils in grade 11 are dissuaded from continuing to grade 12. Meanwhile, about half a million learners who started in grade 1 failed to reach grade 12, despite efforts to reduce pass rates to 30 or 40 per cent in some subjects. Key subjects such as mathematics have been dumbed down to a choice between mathematical literacy (simple maths) and 'normal' maths. Even so, only

3 per cent of grade-9 pupils scored more than 50 per cent in maths, with a disappointing national average of 14 per cent in this key subject.<sup>51</sup> Recent studies calculate that with a 50 per cent pass mark on all subjects, the actual matric pass rate for 2013 would be between 22 and 24 per cent.<sup>52</sup>

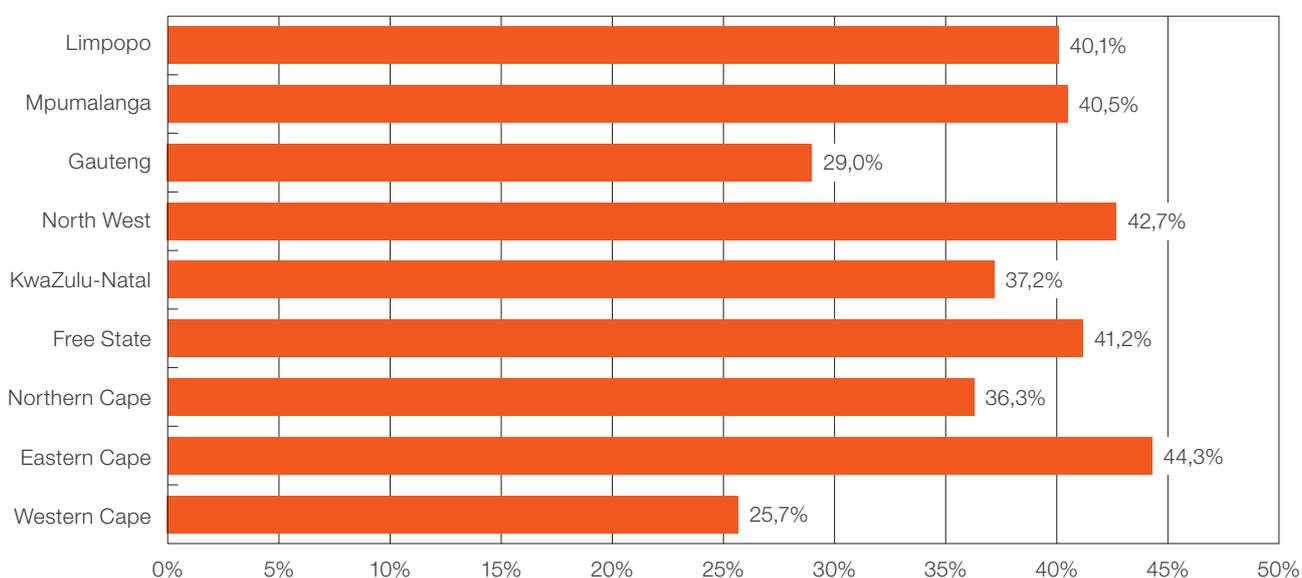
By comparison, the much smaller private schooling system, run by the Independent Examination Board, could not be more different. In the private sector, 98,6 per cent of the 10 166 learners passed grade 12, and 85 per cent of the cohort qualified to study for a university degree.<sup>53</sup>

More than any other single factor, the provision of quality education has the potential to transform the lives of poor South Africans by providing equality of opportunity. This is a critical area where South Africa has done very badly and where black South Africans have suffered greatly at the hands of poor political leadership and the impact of the powerful South African Teachers' Union, which resists efforts to set competency standards for teachers, allow for merit-based pay and even to have a vetting process for teachers who mark grade-12 papers.

Partly as a result of these poor education outcomes, labour productivity has long been a source of concern to domestic and foreign investors. Although South Africa's per unit labour productivity has steadily improved over the last decade (largely as a result of automation in production processes), nominal labour unit costs have risen at a faster rate and the value of productivity gains have not kept pace with the rising cost of the workforce.<sup>55</sup> Therefore, while employees have benefited from real improvements in wages and unions have been able to take advantage of the political changes in the country, this has come at a cost to 'broader growth, investment and job creation'.<sup>56</sup>

The IMF's October 2013 *Country Report on South Africa*<sup>58</sup> provided the following summary:

Figure 3 Unemployment rates per province (expanded definition), third quarter 2013<sup>49</sup>



South Africa has made impressive strides in economic development over the past two decades. But in recent years, lower growth has exacerbated high unemployment, inequality, and vulnerabilities. Although weak trading partner growth contributed, domestic factors were an important reason why South Africa's growth has been below that of other emerging markets. Large current account and fiscal deficits, so far easily financed by global liquidity, have raised vulnerabilities.

The IMF noted that three factors hold back growth and job creation in South Africa: poor education outcomes; collective bargaining, which leaves 'wages too high for job creation by small or new businesses, while the large firms are replacing workers [with] machines'; and the skills gulf between jobs and job seekers due to apartheid policies. The report continues:

As a result, many people are excluded from the labour market, firms prefer to employ machines rather than workers, there are too few small and medium-sized enterprises, and innovation is stifled. Most South African enterprises seem to see their expansion potential in Africa, not South Africa.

The rigidity in the South African labour market is a recurring theme. For example, in the most recent annual report of Woolworths,<sup>59</sup> one of South Africa's largest retailers, its chairman, Simon Susman, noted that labour unrest and a lack of job creation are adding to a slowdown in consumption-led growth: 'It is as if those in work are

conspiring with government to keep the unemployed out of work and out of the markets ... It is business that creates the sustainable jobs and the new industries this country so badly needs.' Susman added that the restrictive (and, in his view, populist) legislation being imposed on commerce in South Africa, particularly on the labour and trade-union practice front, was stifling job creation and small-business generation.

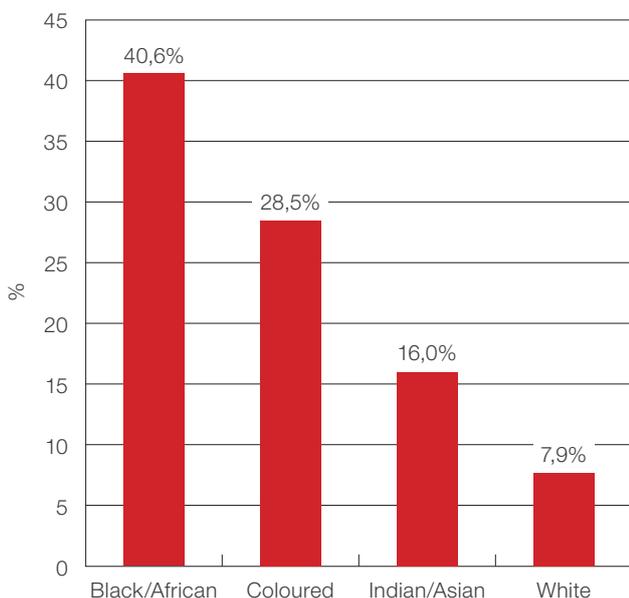
These views were echoed by the chief executive of Shoprite Holdings, Whitey Basson, who has expressed his concerns about the decline in South Africa's manufacturing sector, and by its lack of innovation and competitiveness.<sup>60</sup> At the same time, Basson's remuneration is an indication of why organised labour is demanding measures and policies to curb excessive executive pay within the private sector.

Ahead of the 2014 elections, a number of publications have dissected the South African challenge. Some, such as the detailed works written by Adriaan Basson<sup>61</sup> and Richard Calland,<sup>62</sup> emphasise agency, particularly the example and role of President Jacob Zuma. Others, such as that by Adam Habib<sup>63</sup> focus on the structural conditions under which the ANC operates, noting that most of today's challenges stem from the adoption and implementation of GEAR, and the associated increases in inequality. All warn of the changes and challenges evident in the ANC, which, in the words of Habib, has become a

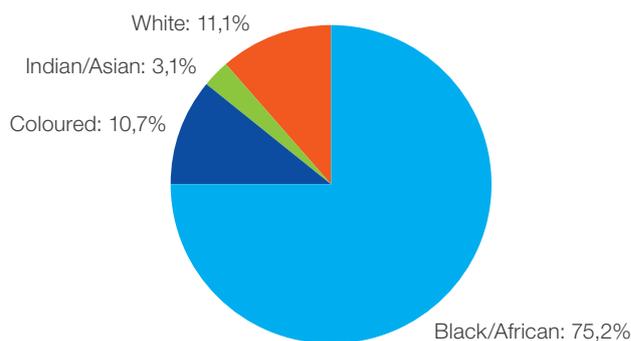
grubby instrument of enrichment that speaks the language of empowerment and democracy, while its leadership and cadres plunder the nation's resources and undermine both the judiciary and the media – the former because it may be used to hold various actors to account, and the latter for having the temerity to broadcast the drama.<sup>64</sup>

Whatever one's perspective, the election of President Zuma intensified the polarised political legacy of his predecessor, Thabo Mbeki. The ABM ('Anyone but Mbeki') campaign, which ended in the undignified 'recall' of Mbeki

**Figure 4** South African unemployment rates (expanded definition) by race, third quarter 2013<sup>54</sup>



**Figure 5** South African labour force (15 to 64 years of age) by race, third quarter 2013<sup>57</sup>



as president, was considered as much a victory for COSATU and the South African Communist Party, the alliance partners of the ANC, and appeared to enhance the leverage of these organisations in government. This was reflected in the publication of the two policy documents, the revised IPAP<sup>65</sup> and the NGP, referred to earlier. It often appears as if South Africa has a coalition government with different interests dominating at different times that is unable to implement a clear policy direction. The result is a constant balancing of interests and trade-offs that do not always point in the same direction.

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## The ANC, Africa's oldest liberation party, goes into the 2014 elections under particularly difficult internal conditions

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IPAP, the NGP, and the NDP 2030 are often used as examples of the apparent lack of cohesion on economic and industrial development policy within the Cabinet. Each offers a different analysis of the challenges that confront South Africa. IPAP is focused on expanding South Africa's industrial base and diversifying exports, whereas the NGP aims to reduce income inequality, achieve faster economic growth and develop a green economy. The NDP 2030 sets a number of specific measures of economic success, including growth and investment targets. Its analysis generally reflects mainstream economic thinking globally and it has, as a result, become a source of intense disagreement among the alliance partners. Its generally market-friendly recommendations underpin the potential split within COSATU led by NUMSA, with attendant political implications for the ANC, as explored below. Yet the publication of the NDP 2030 is also a continuation of the leftward shift in economic and social policy to explicitly target inequality, poverty and unemployment, which, although having been initiated under Mbeki, is a hallmark of Jacob Zuma's presidency.

Despite these often diverging approaches, all three blueprints see employment creation as the most important national priority. This view is widely shared in society, evident from studies carried out by Afrobarometer and the Human Sciences Research Council. IPAP expresses its concern about the extent to which growth is consumption-driven (at the expense of production-driven sectors such as agriculture, mining, manufacturing, etc.) and lays the blame for the state of affairs at the door of a

malfunctioning financial sector and an overvalued exchange rate. Its policy recommendations include a more competitive exchange rate and lower interest rates. The NGP shares this concern about a consumption-led economy, but differs in its analysis of the fundamental bottlenecks and imbalances in the economy such as an overdependence on the minerals value chain.

In contrast, the NDP 2030 suggests that South Africa is caught in a middle-income trap and places the emphasis on lack of competition, an uncompetitive labour market, low savings and scarcity of skills. Rather than regarding the local financial sector as a problem, it views it as one of South Africa's competitive advantages and sees the growth of the services sector as positive. It predicts a continuing steady decline in the contribution to GDP by the country's manufacturing base.<sup>66</sup>

The ANC, Africa's oldest liberation party, goes into the 2014 elections under particularly difficult internal conditions, with both its Youth and Women's League compromised, and suffering from a series of corruption and leadership scandals – not to mention the death of its iconic former leader, Nelson Mandela, in December 2013. Various blunders, such as the introduction of expensive e-tolling on public highways in the Gauteng province, have led to an unprecedented mobilisation of citizenry across the political spectrum. Nevertheless, the bulk of ballot support for the ANC continues to hold steady and there is little chance that its electoral majority in 2014 will be eroded by more than a few percentage points, from its 2009 level of 65,9 per cent. After 2014, the next elections should take place in 2019, 2024 and 2029.

As for COSATU, the general trend is clear – declining trade-union membership over time compounded by the emergence of new unions, many of them outside the fold of the congress, and the threat of a large break-up by NUMSA. Populist politics has become the order of the day among unions competing for membership, and relations between employers and labour have become ever more acrimonious as wage demands (and profits) escalate.<sup>67</sup> Coming from a past where organised labour suffered from poverty wages, COSATU increasingly appears to be somewhat out of touch with sentiments in the broader pool of the unemployed and the poor, who are worse off than their unionised counterparts.

Developments in organised labour, including relations between the ANC and COSATU, are an important variable that could impact on the alternative scenarios set out below. The growing and destabilising rivalry between COSATU member the National Union of Mineworkers and the upstart Association of Mineworkers and Construction Union in the mining sector is a further example of imminent change. As indicated earlier, other key drivers of alternative outcomes include voter apathy, the ability of

opposition parties to persuade voters to vote for them and the issue of leadership within the ANC.

With its economic (and various other) policies up in the air, as well as its highly publicised leadership crisis, South Africa is at a critical juncture.

## **‘BAFANA BAFANA’: DRIBBLING ALONG WITH NO CLEAR GAME PLAN**

‘Bafana Bafana’ is a story in which South Africa strives to break free from its current cycle of inequality and unrest, but never quite manages to. Things get better, but the structural limitations remain the same.

Politically, support for the ANC will probably decline moderately during the 2014 elections as voter apathy and opposition parties eat away ANC representation in Parliament, requiring the ANC to contemplate political alliances with other parties (i.e. after the 2019 elections, which it again wins with more than 50 per cent of the votes). After the 2024 elections, the ANC emerges as still the largest among the political parties in power, but thereafter governs in coalition with other parties, having lost its majority in Parliament.

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## **‘Bafana Bafana’ is a story in which South Africa strives to break free from its current cycle of inequality and unrest, but never quite manages to**

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More immediately, in the years that follow the 2014 elections, government does not settle on a clear growth plan. Reflecting the current confusion prevailing between the NDP 2030, IPAP and the NGP, there is no clear policy direction (or leadership). The ANC remains nominally committed to the NDP 2030 as the more important of its multitude of plans and strategies, but does not coordinate its implementation. In practice, the NDP 2030 is steadily discredited despite efforts to amend and bridge some of the more obvious differences between important constituencies regarding labour-market flexibility and on issues such as investment in mineral beneficiation. No formal announcement is made in this regard and some lip service is still paid to the plan up to 2019, but, like many similar efforts before, the NDP 2030 is largely relegated to the bookshelf.

In time, the current focus on results-based management by the DPME is allowed to slip and

government succumbs to pressure from its own disparate ranks as well as from its alliance partners to abandon or roll back its limited efforts towards greater labour-market flexibility, skilled migration reform and a more adaptive and nimble economy. The inflexible and heavy hand of state regulation become ever more present in various sectors. The turbulence within COSATU sees it steadily losing support to private unions and opponents, and possibly even split. The decision made in December 2013 by NUMSA to recruit across sectors organised by other affiliates of COSATU probably sees the congress steadily losing influence within the alliance and in society generally.

Voter apathy, already at a high level, increases with each election, as does the sense of drift and lack of direction. Government’s initiatives to convey a more positive message through efforts such as good-news reporting are drowned out by a cacophony of reporting on graft, corruption and poor service delivery – much of it centred on top leadership. Wasteful government expenditure, at almost R31 billion in 2013 continues largely unabated in subsequent years, as reported by the Auditor-General in his consolidated general reports.<sup>68</sup>

Many senior and sensitive appointments in key positions, particularly in the military, the judiciary and the criminal-justice system, continue to be made on the basis of personal and party loyalty, and not merit – although this is not a blanket approach. This is a trend that started in 1999 with the appointment, by President Mbeki, of diplomat and struggle veteran Jackie Selebi as National Police Commissioner despite his lack of experience and knowledge of policing. After a disastrous number of years, Selebi was eventually forced out and convicted of corruption, only to be replaced by others apparently loyal to the president but without the appropriate experience or knowledge for the job. With poorer than expected returns on its investments in policing, middle- and upper-class South Africans increasingly rely on the private-security industry to augment the services provided by the police. In poorer areas, vigilantism increases.

Without a clear support plan for industry, South African manufacturing exports to the rest of Africa, the only region where the country runs a consistent trade surplus, steadily loses ground to other countries such as China and India. On the other hand, South African telecommunications, banking, retail and hospitality industries that specialise in providing luxury and lifestyle goods and services to the emerging middle class retain their dominant positions. The establishment of a domestic manufacturing sector in selected African countries with associated preferential treatment potentially disadvantages South African exports, while efforts to ‘buy local’ fizzle out with little impact. Since domestic investors do not invest, foreigners remain hesitant.

As a result, South Africa continues to attract only modest levels of foreign direct investment (FDI) at below \$2 billion annually.<sup>69</sup> The country struggles to attract sufficient capital to fund a consistent trade deficit with much of the rest of the world, Asia and Europe in particular. The steady stream of increased investment from elsewhere into Africa largely bypasses South Africa as business flocks to the rest of the continent, which consistently grows much faster than South Africa.

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## By comparative middle-income standards, South Africa does relatively well, growing at around 3,8 per cent per annum on average up to 2030

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Although increasing in absolute size as the economy expands, the South African manufacturing sector continues its slow decline in terms of its percentage contribution to GDP; meanwhile, the services sector and materials increase in terms of their relative contributions to the economy. Some of the remaining larger commercial farmers, unable to compete with subsidised agriculture in Europe and North America, emigrate northwards to benefit from more fertile soils, higher rainfall and more favorable government support. Similar to that of manufacturing, the trend is a continuing decline in the relative size of the contribution of agriculture to GDP.

However, by comparative middle-income standards, South Africa does relatively well, growing at around 3,8 per cent per annum on average up to 2030. The country gains a reputation as the chronic underachiever: it should be dominating the region, but it isn't.<sup>70</sup> Policy-making is episodic, last minute and piecemeal, with a continued high turnover of senior government officials, which does not allow for consistency and the build-up of a suitable knowledge base. Turbulence in the ruling Tripartite Alliance and the upper leadership levels of the ANC remains high. Fearful of too quick a transition and the threat of even higher levels of social conflict, South Africa muddles along.

Growth has limited impact on unemployment and inequality levels, which remain stubbornly high – although life for the middle- and higher-income groups is good. In this scenario, key criminal-justice institutions such as the police, the National Prosecuting Authority (NPA) and the Special Investigation Unit continue to face leadership

challenges and only register a modicum of success in dealing with violent crime, and tackling corruption and malfeasance. The results are continued high levels of crime and service-delivery protests.

Beyond 2019, the impact of fracking in the Karoo and natural-gas extraction in the deep waters off the country's west coast provide much-needed stimulus to South Africa's economy, without which growth would be lower. These and substantial imports of natural gas from neighbouring Mozambique alleviate energy pressures and costs towards the end of the time horizon, allowing the government to avoid the large investments that would otherwise have been required in additional nuclear power plants.<sup>71</sup>

Regionally, South Africa continues to engage in limited peacekeeping and peacebuilding efforts. However, the country cannot shake off the perception that it is acting more in the interests of its political elites and their business friends than national or African interests, partly because key contracts are awarded to well-connected individuals. Perceived ruling-party patronage for business contracts, increasing division in the ANC and lack of public support apparent of foreign engagement add to a sense of 'loss of leadership'.

South Africa remains a member of the G20 and BRICS, but loses its influence in these and other groupings. In response to the impact of rapidly growing economies such as that of Nigeria, South Africa opts for co-leadership in Africa. The capacity crisis in the Department of National Defence and Veterans Affairs, already severe in 2014, becomes acute as its bloated ranks squeeze out expenditure for modernisation. South Africa's ability to back up its talk of African solutions with commensurate military capacity for stabilisation operations and peacekeeping continues its steady decline.

'Bafana Bafana' is a pathway where most South Africans expect less from government, withdraw from participation and become less active in the political economy. All is not doom and gloom, however: over time, the investments made in education start to pay off, schooling improves and social-grant programmes continue to alleviate the worst effects of dire poverty.

Skilled South Africans continue to leave (or at least talk about leaving) for other destinations in Africa that appear to offer greater business opportunities, or for Europe or North America for reasons of safety and quality of life. On the other hand, the country remains a magnet for unskilled migrants from the rest of the continent. The clock remains firmly stuck at one minute before midnight in discussions around dinner tables in upper-class suburbs. Meanwhile, the real South Africa actually does relatively well.

## **'MANDELA MAGIC': GOOD COACH, CAPTAIN THAT LEADS FROM THE FRONT AND A CLEAR GAME PLAN**

### *Alternatives: 'Future is ANC' or 'rise of genuine multiparty democracy'*

There appear to be two political pathways that could both deliver much higher levels of economic growth and well-being for most, if not all, South Africans. It is most likely that the difference between the two will depend on what happens to the leadership within the ANC, the future of organised labour and the extent to which opposition parties, the DA in particular, can mobilise young voters during successive elections.

The first political pathway can be termed 'The future is ANC'. In retrospect, the death of struggle icon Nelson Mandela in December 2013 marks the start of a deep process of introspection within the ANC as those who had worked with Mandela start a campaign to reclaim his legacy. These developments do little to impact on a bruising 2014 elections. Afterwards, however, a reinvigorated ANC resets its moral compass and asserts its leadership within the alliance.

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## **Two political pathways could both deliver much higher levels of well-being. 'The future is ANC' or 'The rise of genuine multiparty democracy'**

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Key among the developments is putting an end to the use of so-called slate-voting, whereby opposing factions within the ANC present voting members with a set list of candidates for whom to vote, not on the merits of the delegates, but rather according to allegiance. The result is an improvement in the quality of candidates elected to internal structures within the ANC. Perhaps even more importantly, the National Executive Committee of the ANC deploys a strong executive deputy president to effectively define and implement policies, similar to the division of work between President Mandela and then Deputy President Thabo Mbeki after the 1994 elections.

Despite the turbulence in its ranks, a smaller COSATU survives the challenge by NUMSA, remains generally united and in support of the ANC, and is rewarded with a number of concessions in key chapters within the NDP 2030, particularly on the need to retain and

build on its manufacturing basis, as set out in the NGP. COSATU responds by allowing for greater labour-market flexibility. The successes in growth and efficiency allow the ANC to rebuild and continue to govern South Africa without the need to enter into alliances with other parties – even after the 2024 elections – and it retains close to 60 per cent of the electorate even during the 2029 national elections.

Government succeeds in its efforts to stabilise and transform the civil service, and enters into an alliance with public-sector unions. This leads to a turnaround in the delivery of key services, such as education, and attracts business. The result of this modernisation is an increased speed and efficiency with which governance is conducted, and a sense of stability and predictability, which all impact positively on international perceptions and levels of FDI in South Africa. Top leadership renews its commitment to the rule of law and ensures the independence of the judiciary, declaring and adhering to principles of transparency. Fairness and integrity are evident in leadership appointments to key criminal-justice institutions such as the police, the NPA and the priority crime-investigation unit, the Hawks.

An alternative pathway could see 'The rise of genuine multiparty democracy'. Under assault from all sides and seriously weakened by factionalism, the ANC does worse than it expected in the 2014 national and provincial elections. The electorate votes for other parties in limited numbers, but voter apathy among potential ANC supporters and lack of support from key COSATU member unions result in a greater decline in ANC support than anticipated. After the elections, the ANC has to enter into provincial coalitions in two provinces, in addition to losing once again to the DA in the Western Cape. The 'civil war' within COSATU that erupted at the end of 2013 after the suspension of its general secretary, Zwelimumzi Vavi, and the subsequent battle between NUMSA and other key unions in the congress are decisive factors in the decline of the ANC's majority as its largest and most disciplined alliance member rapidly disintegrates.

Opposition parties, the DA in particular, are now able to flex their muscles. Shaken by its losses, the ANC responds by ending cadre deployment and commits itself to a serious implementation of the NDP 2030 vision with a focus on the delivery of economic growth, jobs and effective services. This starts a race to the top where the ANC, the DA (governing three of the nine provinces after 2019) and other parties compete in the service delivery, clean government and positioning South Africa as a winning nation. Without the organisational benefit of strong support from labour, the ANC experiences further substantial declines in the 2019 ballot, when it dips below 50 per cent of the vote, losing its majority in Parliament.

Under this scenario, greater scope is provided to the private sector as the engine of growth, with government assuming the role of regulator and facilitator, encouraging entrepreneurship and innovation through investment in research and development, including the roll-out of cheap broadband and IT services nationwide.

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## Both pathways imply that South Africans from various walks of life need to commit to a social compact in the aftermath of the 2014 elections

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Both pathways imply that South Africans from various walks of life need to commit to a social compact in the aftermath of the 2014 elections – a call made in late 2013 by ANC Deputy President Cyril Ramaphosa, touted as a next vice president and, in 2019, as president to succeed Jacob Zuma.<sup>72</sup> After a harsh year of labour unrest, such a social pact is also a clear priority for the business sector.<sup>73</sup>

### *Making magic: Common threads*

In retrospect, many of the signs for a turnaround under both pathways described above were already evident in 2013. For example, within the education sector key interest groups (comprising labour, parents and government) came together to launch the Education Collaboration Partnership in July 2013 to work together to ‘fix education’. This had the effect of steadily improved quality in teaching and grades over time.<sup>74</sup>

The Mining Forum (consisting of organised labour, business and government), which signed a Framework Agreement for Sustainable Mining in July 2013, succeeded in stabilising the mining sector by the end of the year, resulting in a general rebuilding of confidence in the years that follow.<sup>75</sup> The Buy Back South Africa campaign, launched as a private-public partnership, helps to impress upon consumers and others the importance of purchasing locally manufactured goods.<sup>76</sup> By 2016 the success of these initiatives spur efforts in other areas, including health and local government, all of which benefit from greater stability, harmony and improved service delivery.

Similarly, government implements the recommendation in the NDP 2030 that a National Policing Board with multi-sectoral and multidisciplinary expertise should be established to set standards for recruiting, appointing and promoting police managers and officials.

A high-level commission of inquiry into policing in South Africa, as called for by the Institute for Security Studies and others over several years, results in a comprehensive turnaround strategy with a focus on stability and quality rather than just continued increases in the number of police officers recruited.<sup>77</sup> The strategy sparks a trend in which crimes such as truck hijackings, and business and domestic burglaries decline. In addition, there is investment in more social workers to work with young people. This helps avert social-fabric crimes and tackle violent crimes against women and children.

By improving the education and services delivered by the Department of Social Development, the risk factors that contribute to interpersonal violence are reduced. In addition, improvements in the criminal-justice system help limit organised crime and robberies, which primarily engender public fear. In this scenario, the majority of South Africans are, and indeed feel, safe.

According to PwC’s 2013 survey on tax in Africa, South Africa was one of the most difficult places, from a business and regulatory perspective, to operate in, with increased uncertainty in terms of tax legislation and regulatory requirements.<sup>78</sup> After the 2014 elections, Parliament enacts a series of laws in the years that follow to reduce red tape and bureaucracy with the aim of simplifying the regulations that govern black economic empowerment and other restrictions on economic flexibility that constrain and complicate medium, small and micro business.

Over time, the high barriers of entry to the formal economy are lowered and a more flexible labour market emerges. Previously, the interests of large sections of the South African economy were not part of discussions at the National Economic Development and Labour Council, which seemed to consist of megaphone diplomacy of the deaf – between big business, big labour and national government, to the exclusion of the unemployed and small business. Now government recognises that small and medium companies employ three-quarters of all workers and that almost half of the country’s entire workforce are employed by companies with fewer than ten people. In 2013 the departments of Trade and Industry, and Higher Education and Training agreed to coordinate efforts to ensure that colleges of further education and training encourage entrepreneurship – an initiative that gathers momentum.

A number of complementary policy measures, such as a law to establish Special Economic Zones (SEZs) in each province, are passed in rapid succession.<sup>79</sup> The momentum of the Presidential Infrastructure Coordinating Commission, the National Infrastructure Plan, the designation of Strategic Integrated Projects and the associated coordination structures at national, provincial

and local level is such that there is a steady increase in the roll-out of clinics, schools, university buildings, roads, rail, electricity generation and bulk water supply.<sup>80</sup> The occasionally contentious relations between business, labour, the media, civil-society groups and other crucial actors slowly improve and become increasingly cooperative, which helps steadily reduce social unrest.

By 2030, gross capital formation in South Africa reaches 27 per cent of GDP. Following higher levels of domestic investment, FDI increases to over 2 per cent of GDP, bringing it in line with the current performance of other growing middle-income countries, like Brazil.<sup>81,82</sup> Government increases investment in research and development as well as in infrastructure to cope with the increasing demand for high-quality jobs and services in an expanding economy. Local investors invest domestically and FDI follows, increasing to an annual average of \$7,5 billion, enough to fund the current-account deficit as the country aggressively competes globally as a favourable destination.<sup>83</sup>

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## Eventually GDP growth rates average 5,1 per cent annually over the 17-year period from 2014 to 2030. Employment rates are much higher

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A significant improvement in the quality of governance emerges over time. Whereas in 2011/12, none of South Africa's eight metropolitan areas received a clean audit, by 2019 all receive an unqualified audit opinion and the number of municipalities receiving similar results improves from 5 per cent in 2011/12 to 80 per cent in 2019. By then, opposition parties control a large number of municipalities and across the country local-government authorities compete to demonstrate effective service delivery and to reduce wastage and inefficiency.<sup>84</sup> Technocratic, consultative management rather than ideological grandstanding is the order of the day as government retreats from a lexicon of racism, imperialism and anti-colonialism in its engagement with the EU and others to adopt one that focuses on improvements in terms of trade-and-investment guarantees.

The focus of every decision is on what is good for growth in the economy, and government makes impressive effort at the national, provincial and local level to reach out and explain its policies to all South Africans. Through concerted policy implementation, the growth of

the manufacturing sector is assured and the country is better positioned to compete with China (and others) for market share in Africa. Commercial agriculture, manufacturing and South Africa's service sector all expand, while various efforts to reduce unemployment through public-works programmes and other innovations bear fruit, reducing social tension and the number of service-delivery strikes.

In these pathways, the positive trend in employment statistics, which started in the first quarter of 2011 and reflected 308 000 additional jobs by the third quarter of 2013,<sup>85</sup> continues and accelerates. Eventually GDP growth rates stabilise at levels well in excess of 5 per cent per year as from 2024 and average 5,1 per cent annually over the 17-year period from 2014 to 2030.<sup>86</sup> With an economy that is significantly larger than under the other scenarios, South African employment rates are much higher. With improvements in employment, severe inequality starts to come down. This is most evident in the services sector (the largest employer), which, under the 'Mandela Magic' scenario is, by 2030, almost 23 per cent larger than in the case of 'Bafana Bafana'.

The much faster growth rate of the South African economy envisaged in the 'Mandela Magic' scenario generates a substantial increase in energy demand and pushes up CO<sub>2</sub> emissions. In 2030 the country requires an additional 162 million barrels of oil equivalent above the business-as-normal forecast (and a cumulative total of 980 million barrels from 2014 to 2030) as factories produce more goods, South Africans buy more vehicles and household appliances, and mining expands. This impacts upon coal exports, as the country has to use more of its coal to meet domestic demand and export volumes come under pressure.

If measured on the basis of energy demand per capita in barrels of oil equivalent, South Africans are already much more energy-intensive than most African countries. Under the 'Mandela Magic' scenario, energy demand per person would be around two barrels more in 2030 than would be case under a business-as-normal forecast as larger incomes translate into increased energy usage.

As shown in Figure 6, a larger economy requires more energy and the 'Mandela Magic' scenario will see South Africa release around 11 million tons of more of CO<sub>2</sub> into the atmosphere in 2030 alone than it would normally expect to and, cumulatively, around 79 million tons more from 2014 to 2030.

As discussed in a previous publication from the African Futures Project,<sup>87</sup> South Africa embarks upon the exploitation of shale gas in the Karoo to alleviate its energy constraints and in an effort to meet its commitments to reduce greenhouse gas emissions. It levies an excise tax on gas production, which is invested in renewable

production and infrastructure. In this manner, fracking contributes to economic growth but the much higher than expected demand for energy means that other options, including nuclear, are never taken off the table and the debate constantly swings in favour of and against nuclear energy. Subsequent investments in cleaner coal, renewable wind and solar energy, the responsible exploitation of shale gas, gas reserves off the west coast and imports from Mozambique partly relieve the energy constraints on growth, although coal remains by far the largest source of electricity for the growing South African economy, with all its attendant challenges.

## A larger economy requires more energy and the 'Mandela Magic' scenario will see South Africa release around 79 million tons more CO<sub>2</sub> from 2014 to 2030

Improved government effectiveness helps in various sectors. In October 2013, the Discovery Health Barometer reported a number of positive trends, including a large downward trend in the number of stillbirths (particularly in the Free State); declines in the incidence of mother-to-child HIV transmission, especially in the Western Cape; and large increases in the number of adults on antiretroviral treatments.<sup>68</sup> On the back of rapid roll-out of antiretroviral treatments, life expectancy advances and by

2030 the average life expectancy of South Africans in 'Mandela Magic' is almost four years higher than is the case with the other two scenarios.

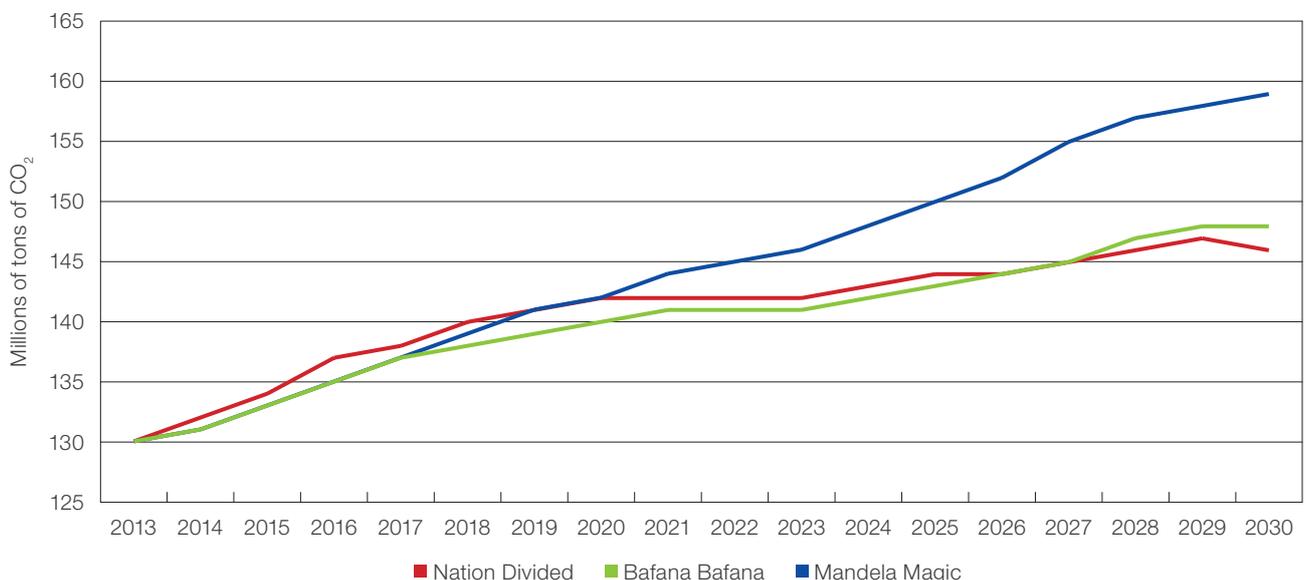
Poverty and inequality remain large problems for South Africa, even as its positive momentum gathers speed. Over time, the race-based analysis that served to reinforce traditional social divisions and forestall efforts at a social compact gives way to a class-based analysis and, although never far below the surface, race becomes a less divisive issue, and South Africans are able, even if only in part, to reclaim some of the Mandela 'Rainbow Nation' legacy. Efforts such as the incremental introduction of African languages in schools as of 2014<sup>69</sup> support the development of a consciousness of a new inclusive South Africa.

Endogenous growth in savings further boosts investment and fuels economic growth. The larger economy that ensues in the 'Mandela Magic' scenario allows the government to collect R732 billion more in revenues in 2030 than is the case in the business-as-usual scenario. These increases, occurring without changes to tax rates, reflect a significant growth in the tax base.

With its largest single economy firing on all cylinders, SADC grows even faster as the good neighbourhood effect has a positive impact on the region. South Africa retains its position as an important gateway into southern Africa, an attractive investment destination and a safe and attractive tourist destination that is open for business.

The dynamic, growing South African economy supports the development of a coherent and strategic foreign policy that is aligned to domestic interests. SADPA employs trade specialists to open up opportunities for South African businesses and strengthen South Africa's imprint in terms of peacebuilding on the continent. As a

Figure 6 South Africa's annual carbon emissions



successful growth economy, South Africa leads on global governance reforms, and is able to push for an Africa-friendly agenda. It capitalises on its unique vantage point of access, becoming a facilitator for partnerships on the continent, and between Africa and groups such as BRICS and the G20.

## **NATION DIVIDED: EVERY PLAYER FOR THEMSELVES**

'Nation Divided' is a pathway or scenario where political instability among the Tripartite Alliance partners and fissures within the ANC dominate the news. Business confidence is never regained after the crippling strikes in the mining, construction and automotive sectors, which started in 2013 and then escalated annually thereafter. Competition within the provinces between different ANC factions and leaders turns violent, particularly in Limpopo, North West and Gauteng. Leadership imposed at the national level is repeatedly rejected in these and other provinces.

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## **'Nation Divided' is a scenario where political instability among the Tripartite Alliance partners and fissures within the ANC dominate the news**

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The events that play out in the period under analysis serve to mobilise the unemployed and disaffected voters, and to further radicalise labour, although not in time for the 2014 elections, following which, for the first time, the ANC is confronted by a radical party in Parliament in the form of a handful of seats gained by the Economic Freedom Fighters (EFF), a party that espouses the types of policies last employed by ZANU-PF in Zimbabwe.

The decision by NUMSA to abandon the ANC (and COSATU) and align itself with more radical formations well to the left of the ANC results in a deep division within COSATU and destabilises the Tripartite Alliance.<sup>90</sup> Earlier, in the run-up to its special congress in 2013, NUMSA had launched a research and policy institute, and held an international colloquium to learn best practice for building strong, independent worker formations from unions ranging from Canada to Jakarta.<sup>91</sup>

In December 2013, NUMSA made two crucial decisions: first, not to endorse the ANC in the 2014 elections and, second, to abandon the principle of one union per sector and recruit along the manufacturing value

chain. In the aftermath of the 2014 elections, it puts theory into practice. This decision by the largest COSATU affiliate (with about 330 000 members) means that the split from the alliance has a series of debilitating outcomes for the ANC. Subsequent events hasten the decline of organised labour and the future trend sees the splitting of the various union federations into smaller, competing unions as well as the rise in the number of non-unionised workers.

Ahead of the 2019 elections, the ANC adopts a series of policy measures that restrict majority foreign ownership and imposes minimum black ownership quotas in domestic business. Most prominent among these are measures to appropriate and redistribute land. After the government committed to an unbudgeted programme of land restitution in the run-up to the 2014 elections, some 379 000 additional claimants apply for restitution in the years that follow. In 2013 the costs were estimated at an unaffordable R154 billion over five years – a sixfold increase in the 2013 budget.<sup>92</sup> Although implementation is slower than envisioned, the demand on the fiscus is unsustainable.

These measures, including the ramping up of social grants at the expense of investment in infrastructure and education, allow the ANC to remain the largest party in government during the 2029 elections with 47 per cent electoral support.

Within the ANC (and government in general), patterns of corruption and cronyism increase with the overall effect of entrenching poverty through policies that overtly, and less obviously, serve elite interests and have a debilitating impact on government effectiveness and capacity. Various efforts are made to restrict and harass the media, and browbeat the country's Chapter 9 institutions, including the Office of the Public Protector, the Office of the Auditor-General and the Independent Electoral Commission.<sup>93</sup> These developments feed the rise of populism and create a vicious cycle.

South Africa's economic and democratic momentum slows down. Government borrows to fund its current expenditure, and interest payments, already the fastest-growing item on the budget, balloon. A 2013 study by the Mapungubwe Institute for Strategic Reflection<sup>94</sup> warned about the extent to which patronage, poverty and inequality were linked to local protests, the extent to which poor people distrust local government and the associated loss of legitimacy facing the state's democratic structures. 'Structures and systems of accountability, such as ward committees and processes to develop integrated development plans seem largely not to have delivered the initial promise,' the study reported. Earlier in the year, outgoing Auditor-General Terence Nombembe had expressed his concern about the sharp deterioration in financial management in municipalities, noting that out of

South Africa's 278 municipalities, only nine had clean audits. 'Total irregular expenditure amounted to R9,82 billion, while fruitless and wasteful expenditure reached R568 million – more than double from the previous year.'<sup>95</sup>

The South African mining industry, once the most important sector in the economy, declines, continuing with a 2013 trend that saw JSE-listed mining companies relying on borrowings to fund a 20 per cent deficit as mines become heavily geared, labour costs rise and shareholders demand more dividends. Originally cushioned by a weak rand, which lifted revenue, by 2019 South African mining is in far deeper trouble.<sup>96</sup>

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## In the 'Nation Divided' scenario, ongoing labour unrest, service-delivery protests and violent xenophobic attacks polarise communities, with full-blown racial conflict

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FDI declines in response to increasing political uncertainty, and domestic investment rates steadily drop across the time horizon. Deteriorating governance and competition for budget resources result in the budgets for research, development and infrastructure being either cut or partially lost to corruption.

Ongoing labour unrest, service-delivery protests and violent xenophobic attacks polarise communities, with full-blown racial conflict among coloured, Indian and black communities becoming a common occurrence, particularly in Gauteng, the Western Cape and eventually KwaZulu-Natal, as do violent clashes between these communities and foreigners. Effectively marginalised from a closed-shop, capital-intensive economy, poor South Africans take to the streets with greater frequency and in larger numbers.

In response, government is forced to increase defence and security expenditure which, in turn, further constrains spending on social services and infrastructure. The number of people shot dead by the police – a figure that had increased from 281 in 2006 to 556 in 2009<sup>97</sup> – increases to double that figure by 2016. Criminal-justice institutions such as the police, the Hawks, the Special Investigation Unit and the NPA – crucial in tackling corruption and malfeasance – creak under constant

political interference, the crisis of leadership, reduced capacity, and lack of transparency and integrity.

An analysis of complaints against the police shows a pattern of abuse. The value of civil claims against the police for wrongful arrest, destruction of property and the like eventually exceeds R20 billion. The 2012 National Victims of Crime Survey revealed that police corruption was the second most prevalent form of public-sector corruption, as reported by victims,<sup>98</sup> and less than a third of the adult population trust the police four years later.

Unable to look forward with inspiration and confidence, the ANC increasingly looks backwards, emphasising its role in the liberation struggle and its shared history with other countries with a common disposition. The public discourse is peppered with references to race, anti-colonialism and anti-imperialism, much as these pronouncements serve increasingly to irritate the country's trading partners and others in Africa who have graduated from blame politics. The world, in this view, is a Western-led conspiracy, intent on keeping black Africans, South Africans in particular, out of global influence and power, and there is much reference to the national democratic revolution as a next stage in the emancipation of (black) nationals.

In line with this world view, South Africa's international partners of choice are not the growing crop of dynamic emerging powers, but a small coterie of largely authoritarian and populist leaders who base domestic politics on a global anti-imperialist rhetoric – countries that provide ideological comfort but all of whom represent failed economic policies. The use of race-based social analysis, first popularised by Thabo Mbeki in the post-liberation era as part of a deeply African nationalism, becomes the order of the day, dividing and polarising South Africans.

In line with its stated ideological position, South Africa becomes more isolated internationally, even from key partners such as China and Brazil. It loses its moral legitimacy and its (smaller) global voice is increasingly strident. Other countries on the continent become the partner of choice for fast-growing and larger established economies. Over time, as its global influence wanes, South Africa becomes more inward-looking, focusing on domestic policies in response to an increasingly critical and restless population.

Domestic instability eventually starts to impact on growth, investment and the country's credit rating. At first, the impact is limited to a decrease in productivity and slower economic growth. However, the situation becomes particularly serious when, in 2017, South Africa is removed from Citibank's World Government Bond Index when its rating falls below BBB- (Standard & Poor's) and Baa3 (Moody's) as labour unrest and persistent levels of unemployment impact on perceptions of the country amid

yet another wave of violent service-delivery protests.<sup>99</sup> Inclusion in such indexes is key to being a recipient of portfolio inflows and vital for financing the current-account deficit.<sup>100</sup> With the country's credit rating at junk status, foreign investment dries up.

Instead of growing the cake, everyone is fighting for a larger slice of it and the treasury is unable to fund the large amounts apparently wastefully and inefficiently spent. Capital flight gathers momentum as the rand steadily decreases in value. As unemployment mounts and poverty increases, the government lambasts the press and tables a series of measures aimed at constraining the role of civil society, generally characterised as serving imperial, neocolonial interests.

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## In the 'Nation Divided' scenario, business confidence declines and foreigners disinvest from the 38 per cent of government bonds held in 2013

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In 2012 former Energy Minister Dipuo Peters called South Africa's reserves of shale gas (the eighth largest in the world) a 'blessing from God' and others who support its exploitation called it a potential 'game-changer' for the coal-dependent country.<sup>101</sup> However, the publication of regulations that allowed the South African government a 50 per cent 'free carried interest' plus additional black economic empowerment requirements effectively halt the proposed exploitation of the country's abundant potential as investors are hesitant in a sector that faces effective nationalisation. After considerable hesitation due to the associated costs and complexities, the government eventually decides (in 2018) to invest about R1 trillion in three new nuclear power stations, as set out in an earlier version of the 2010 Integrated Resource Plan. Much speculation accompanied this decision, given the strong contractual linkages that exist between the successful foreign companies such as Hitachi Power Africa and the ANC's in-house investment firm, Chancellor House, as well as among connected and influential ANC businesspeople within and outside of government.<sup>102</sup> A subsequent study released by Transparency International argues that private benefits were an important consideration in the decision to 'go nuclear'.

These developments occur despite the fact that South Africa's energy requirements under this lower-growth

scenario are significantly less than in the other two scenarios. Compared to what would be the case in 'Bafana Bafana', for example, energy demand in 2030 is 123 million barrels of oil equivalent lower.

The NDP 2030 is abandoned shortly after the 2014 elections amid strong pressure from the Tripartite Alliance for much higher levels of social spending, the nationalisation of the Reserve Bank and most mining companies, for an end to inflation targeting by the Reserve Bank and for the renationalisation of Sasol, among others.<sup>103</sup> Although government policy shifts to the left, no clear strategy replaces the NDP 2030 and even the NGP and IPAP are soon forgotten.

Business confidence declines. Foreigners steadily disinvest themselves from the 38 per cent of government bonds held in 2013 to much lower levels, raising yields and forcing government to rely on the international market at a time when its global rating is falling year on year.

In 2013 BMW reportedly lost 15,8 per cent of its annual vehicle production due to labour instability, and, in October 2013, the car maker announced that this had dashed South Africa's chances of producing a new car model for global exports. Eight weeks of successive strike action by NUMSA in the manufacturing and components sector resulted in a production loss of 13 000 BMW 3-Series cars at the company's plant in Rosslyn, Pretoria, as part of a strike whose total cost amounted to R20 billion. At that point, the vehicle sector accounted for 30 per cent of South Africa's manufacturing output.<sup>104</sup> Five years later, the figure declines to less than 20 per cent. Eighty per cent of BMW's vehicle output was exported to the US, China and Japan in 2013. Ten years later, BMW closes its plants in South Africa and concludes the relocation of its manufacturing elsewhere.

The size of the South African manufacturing sector under this scenario is much smaller than it is either in the case of 'Bafana Bafana' or 'Mandela Magic', as is the total size of the South African economy.<sup>105</sup> As shown in Figure 7, South Africa's manufacturing sector in 2030 is expected to be almost R644 billion smaller than is the case with 'Mandela Magic'. The 'Bafana Bafana' scenario leads to a manufacturing sector that is 25 per cent larger than in the case of 'Nation Divided'. The result of this, as well as smaller agriculture, services, energy, materials and ICT sectors, are reflected in higher unemployment rates and increases in social unrest.

A sense of doom and gloom becomes pervasive in the private sector as global investors flock to large emerging markets such as Nigeria and, regionally, to Angola, and steadily reduce their exposure in South Africa. Other investment destinations, including Mozambique, Tanzania and Kenya, overtake South Africa as the latter moves off the investment radar. Citizens become resigned to the

decreasing quality of governance, expect less and less from the state, and look to themselves rather than government for their livelihood. Meanwhile, those at the top of the economic pyramid continue to enjoy a comfortable living in their gated communities. Relations between big labour, big business and government become evermore acrimonious, while what is left of NUMSA launches itself as a political party to the left of the ANC in 2015, presenting a formidable challenge to a weakened ANC during the 2019 and 2024 elections.

Growth rates, already low in 2013, average 2,6 per cent per annum over the time horizon to 2030. South Africa was ranked fifth out of 52 countries in Africa on the 2013 Ibrahim Index of African Governance, but falls steadily every year thereafter, although never falling as low as the average for the continent, which was 51,6 in the 2013 report.

In 2010, South Africa ranked among a group of relatively high-performing African countries in all of the key governance variables. By 2030 South Africa has fallen out of the high-performing group of African governments. In addition, South Africa experiences some loss in the quality of its democratic system as constraints on the executive branch weaken and political participation suffers. In 2030 it remains a democracy, but one less confident in the viability and fairness of its system.<sup>106</sup>

## LIMITS AND SUMMARY COMPARISONS<sup>107</sup>

No one can predict the future, and the forecasts presented in the preceding sections are just three of many possibilities. The future will inevitably unfold at its own pace and direction. 'Bafana Bafana', 'Mandela Magic' and 'Nation Divided' are also not to be read as exclusionary paths. For example, it is quite possible that leadership

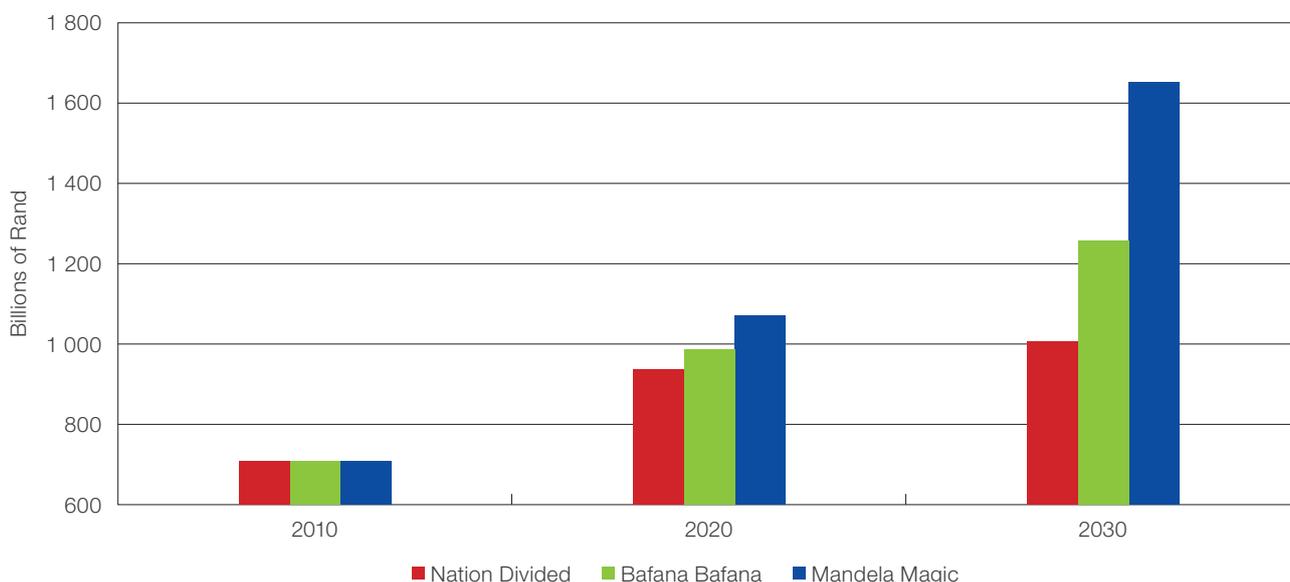
changes could occur within the ANC and, as a consequence, what starts off as the 'Bafana Bafana' scenario could develop into a much more positive (or, for that matter, negative) future.

In addition, low-probability but high-impact events may frustrate the best efforts at forecasting. For example, should polluted mine water accumulating from more than a century of gold mining reach the surface in the Witwatersrand Basin and flow into the Vaal River, it could pollute the entire downstream basin of the Orange River. This would have a major impact on farming and people's livelihood. Many external developments could also frustrate the best efforts at forecasting. These include the collapse of Chinese growth and its associated impact on African economic prospects and global stability. Similarly, the spread of instability in Africa southwards from the DRC, igniting the already tense and volatile situations in Malawi, Zambia, Angola, Zimbabwe, Swaziland and Mozambique, could reverse Africa's current positive growth prospects. Although these possibilities do not make forecasts superfluous, they point to the fact that care should be exercised in interpreting the results.

While it is important to take into account the limitations associated with any exercise at forecasting such as this, the results presented here capture the most likely implications of South Africa's decisions and actions in the years ahead.

In September 2013, the Rand Merchant Bank's annual report *Where to invest in Africa: A guide to corporate investment* again ranked South Africa as the most attractive corporate investment destination in Africa and 33rd in the overall world ranking. Earlier, in September 2013, South Africa's ranking in the World Economic Forum's global competitiveness list fell to 53rd out of the

Figure 7 Size of the manufacturing sector



148 countries included in the ranking – having fallen from 35th position over five years.<sup>108</sup> The World Bank's *Doing Business* report saw South Africa slip from 28th to 39th out of the 185 countries ranked.<sup>109</sup> According to Transparency International's 2013 global Corruption Perception Index, South Africa has dropped 34 places since 2001, and it has fallen 17 places in that index since 2009. South Africa is currently ranked at number 72 out of 177 countries and heading downwards.<sup>110</sup>

These results reflect the general sense that although progress in South Africa since the end of apartheid has been steady, the country has not kept up with advances elsewhere.<sup>111</sup> The result is a relative decline in various measures. It is important to underline that things are improving, but simply not at the rate that many expected, nor in line with the country's potential. The growth rates achieved under the administrations of presidents Mandela and Mbeki clearly indicate that the country can grow much faster.

It is evident from Figure 8 that an increase in social expenditure in reaction to the populist pressure that occurs in the 'Nation Divided' scenario reduces poverty in the medium term. However, this happens at the expense of investment in education and infrastructure, which drive long-term growth. As a result, the number of South Africans living in the most extreme poverty (i.e. below R14 a day, roughly equivalent to the standard of \$1,25 used internationally) declines in the medium term, but in the longer term, beyond 2020, the failure to invest in infrastructure, research and development, and healthcare, takes hold. Subsequently, the absolute numbers of those living in poverty come down much more rapidly in 'Bafana Bafana' and 'Mandela Magic', to 5,5 million and 4,3 million, respectively, compared to the 'Nation Divided' number of

6,4 million – a scenario where poverty levels remain largely static.

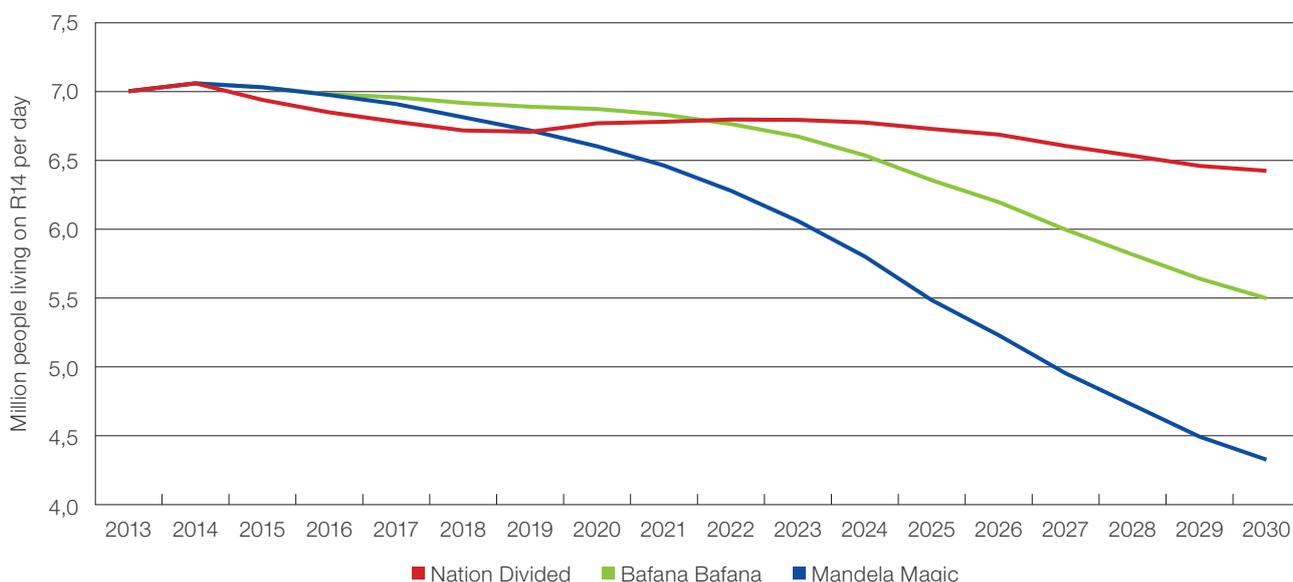
These results suggest that policy and implementation choices have the power to lift a million more South Africans out of extreme poverty or condemn a million more to the same. This differential of 2 million people illustrates the power of appropriate policies and implementation, or the lack of them.

One of the principal objectives of the NDP 2030 is to reduce inequality by a factor of 0,09 (i.e. by 9 per cent) on the Gini index (which represents the income distribution of a nation's population, ranging from theoretical complete equality [0] to complete inequality [1]). On its current path of development, 'Bafana Bafana', South Africa would reduce its current very high Gini score by only 0,009 (i.e. by less than one per cent). 'Nation Divided' would see an even smaller decrease of 0,007. Under the 'Mandela Magic' scenario, South Africa's Gini score would decline by 0,023 (i.e. by slightly more than 2 per cent), still substantially below the NDP 2030 target, but a marked improvement on the other two scenarios.

Considerable analysis has been devoted to the various policy measures required to diminish inequality in South Africa under the NDP 2030 and to effect pro-poor growth. In summary, however, the largest gains in reducing inequality will inevitably be made by creating employment opportunities. Employment is largely a function of economic growth and the associated quality of such growth. While social grants have been remarkably successful in alleviating extreme poverty, being part of the labour force locks in much higher income levels as well as the associated inflation gains.

South Africa's GDP per capita (in PPP) increases under all three scenarios (see Figure 9), pointing to the growth

Figure 8 Scenarios of poverty in South Africa (log normal comparison)



potential of its economy even under adverse circumstances. In 2010 South Africa had a PPP of R106 000. Under 'Mandela Magic', this increases to R166 000 by 2030 (placing it at the level of countries such as Chile and Argentina today). However, it could be as low as R127 000 under the 'Nation Divided' scenario. Therefore, there is a potential difference of 31 per cent (R39 000) per person under these two scenarios.<sup>112</sup>

The scale of the current youth employment crisis (about 70 per cent of the 5 million South Africans aged 15–34 are not in employment, education or training) probably implies high levels of unemployment beyond 2030, even under the 'Mandela Magic' scenario. The prognosis for unemployment under most scenarios is bleak, given global trends towards higher productivity (and therefore either poverty wages or mechanisation) in the manufacturing and services sector. Furthermore, even the realisation of the positive 'Mandela Magic' scenario would require additional efforts at reducing inequality in South Africa and at affecting pro-poor growth – an outcome best achieved in the longer term by a single-minded focus on the improvement of education outcomes for poor people and inclusive economic growth.

One of the areas where the three scenarios most noticeably shift the South African reality is in their effect on access to the provision of services. In 'Bafana Bafana', South Africa manages to steadily improve access to electricity, in spite of population growth and migration inflows, from 75 per cent in 2010 to 87 per cent in 2030, while under 'Mandela Magic' the figure goes up to 90 per cent. The governance difficulties of 'Nation Divided' limit progress so that South Africa reaches just 82 per cent access in 2030.

The effects are more dramatic when the focus is

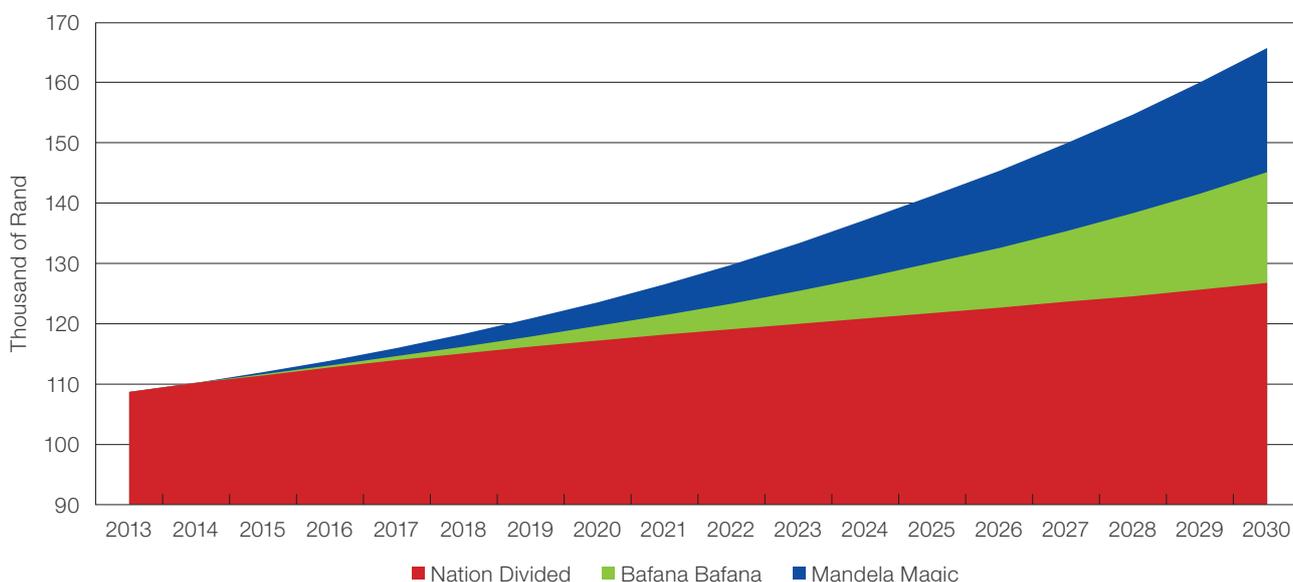
narrowed to rural electricity access, where active and effective government is even more crucial (see Figure 10). From a 2010 value of 56 per cent access, 'Bafana Bafana' achieves 76 per cent rural access by 2030; with 'Mandela Magic' the figure is above 82 per cent. In 'Nation Divided', rural access stands at 68 per cent in 2030. These differences mean that, in 2030, around 2 million more rural South Africans could be living without reliable electricity in the 'Nation Divided' scenario than in the 'Mandela Magic' scenario.

Differences in forecasted effects on other services are more modest, with access to safe sanitation improving from 74 per cent in 2010 to 79 per cent in 'Nation Divided' and to 83 per cent in 'Mandela Magic' by 2030. Access to safe water sources improves from 91 per cent in 2010 to 93 per cent in 'Nation Divided' and to 95 per cent in 'Mandela Magic' by 2030.

Neither 'Mandela Magic' nor 'Nation Divided' shift the composition of South Africa's exports far from that of their current pathway of 'Bafana Bafana'. Energy (largely coal) and materials (iron, steel and non-ferrous metals) remain the primary export sectors in both scenarios. In 'Mandela Magic', energy exports increase, but exports as a whole experience some downward pressure from a stronger rand as a result of the impact of fracking for natural gas. In 'Nation Divided', reduced investment levels lead to slower growth overall than with either 'Bafana Bafana' or 'Mandela Magic'.

By 2030, the difference in export value between 'Mandela Magic' and the current growth path of 'Bafana Bafana' is R367 billion. The primary export dependence of South Africa's economy, however, remains relatively stable, with the larger overall economy in 'Mandela Magic' contributing to a small decline in the ratio of primary

Figure 9 South African GDP per capita at PPP



exports to GDP by 2030. Value added from manufacturing increases at a much faster pace in 'Mandela Magic', surpassing R1 651 billion by 2030; stagnation in 'Nation Divided' results in manufacturing production worth just over R1 007 billion. In the energy sector, meanwhile, fracking, which takes place in both 'Mandela Magic' and 'Bafana Bafana' leads to growth in value added in that sector that is far above that of 'Nation Divided', in which policy uncertainty deters fracking, resulting in a loss of potential GDP of around R145 to R200 billion.

The size of the South African economy (in market exchange rate [MER]) by 2030 under the 'Nation Divided' scenario is forecast at R5 422 billion (\$487 billion). Under 'Bafana Bafana', the figure would be R6 621 billion (\$690 billion) and under 'Mandela Magic' R8 171 billion (\$851 billion). Hence, the difference in the size of the South African economy between the current pathway of 'Bafana Bafana' and 'Mandela Magic' would therefore be a substantial R1 549 billion (\$161 billion).

The achievements under the 'Mandela Magic' scenario would help maintain South Africa's current relatively high levels of influence in Africa. South Africa would remain the second largest economy in Africa (after Nigeria) in all scenarios, although, under 'Bafana Bafana', South Africa's global ranking improves somewhat from 27th position in 2010 to a forecast 23rd place globally by 2030 (roughly comparable to Turkey in terms of size of economy today). Under 'Mandela Magic', South Africa would, by 2030, be the 21st economy globally, having moved up several places (equivalent to an economy larger than the Netherlands today).

South Africa has the benefit of a number of strong institutions such as the judiciary, the South African Revenue Service and the Office of the Auditor-General

– institutions that are models of good governance, transparency and integrity. Nevertheless, the August 2012 events at the Lonmin Mine, in Marikana (when South African police officers opened fire on strikers, killing 44 people and injuring more than 70 others), demonstrate the fragile nature of the South African social compact and the challenges that many of its institutions continue to face. Evident from a comprehensive study that included 27 moderated focus-group discussions across the country, Susan Booysens finds that South Africans continue to expect more from central government.<sup>113</sup> The forecast results are summarised in Figure 12.

## WHAT IS TO BE DONE?

The NDP 2030 notes three first-order priorities and lists them in appropriate sequence:

1. Raise employment through faster economic growth;
2. Improve the quality of education, skill development and innovation; and
3. Build the capability of the state to play a developmental, transformative role.<sup>114</sup>

As the country heads for elections in 2014, there is much that the South African government can build upon, including the Treasury's counter-cyclical budgets, the recent focus on investment in infrastructure, the effort to revitalise industry, measures to create an enabling environment for small and medium-sized business, success with encouraging tourism, broadening economic empowerment of the poor and dispossessed, and the move towards monitoring service delivery across departments.

The promises and agreements made in the run-up to the 2014 elections, including the implementation of a clear

Figure 10 Access to electricity

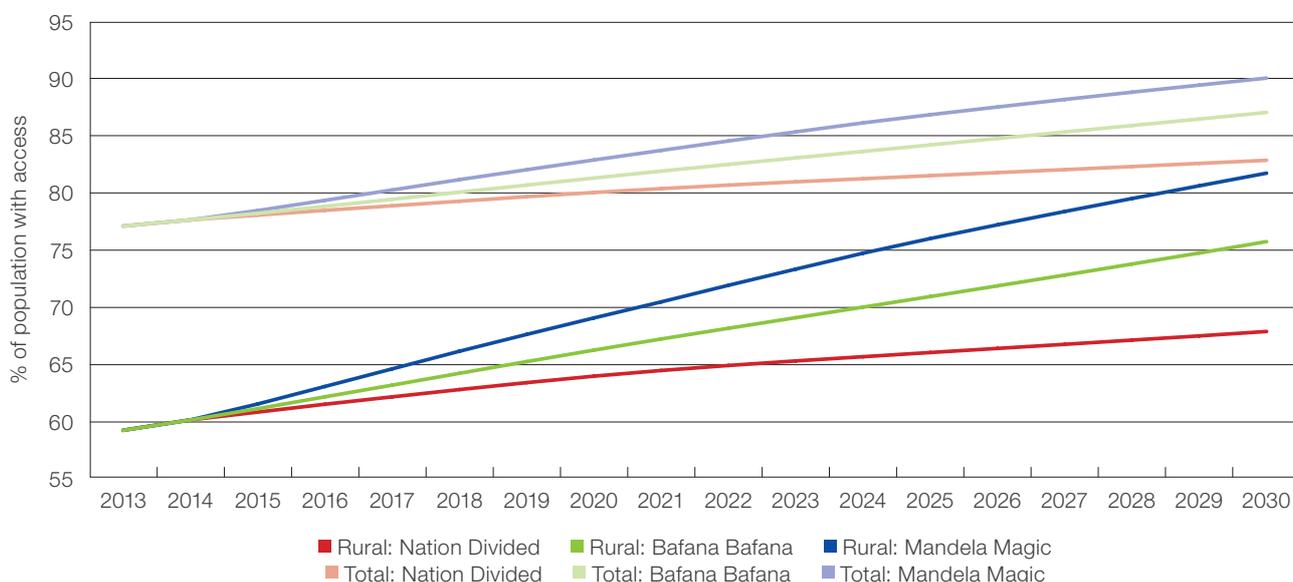
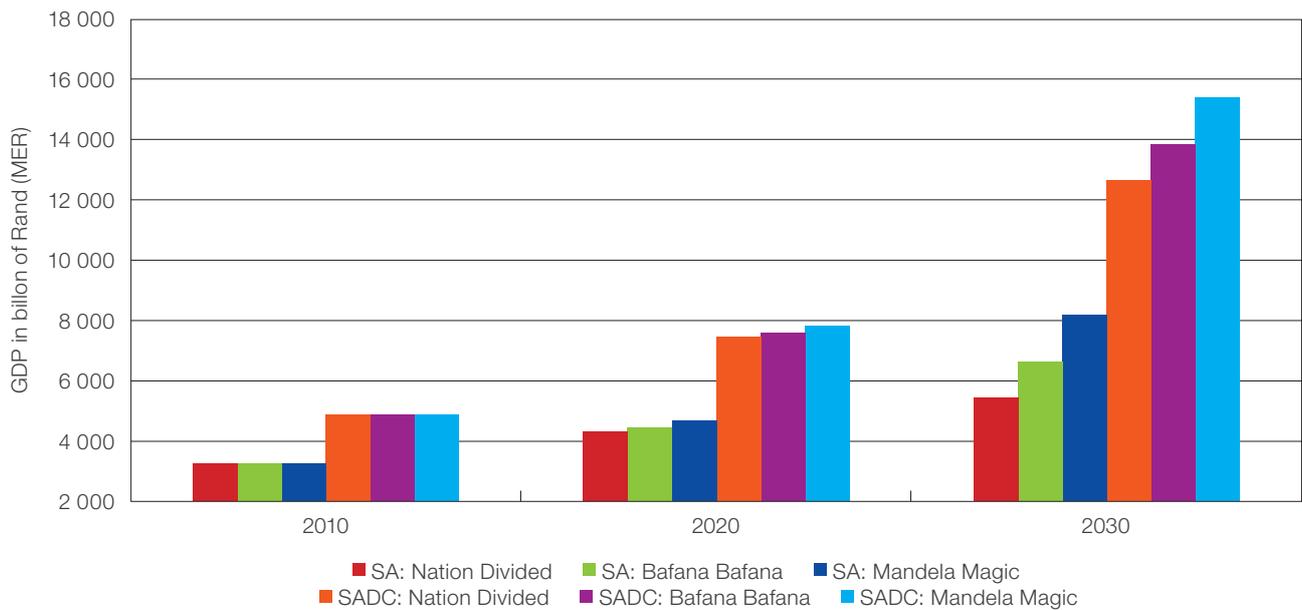


Figure 11 GDP in MER – South Africa and SADC compared



growth path, will determine the future prosperity or poverty for many South Africans. South Africa's current pathway, 'Bafana Bafana', partly reflects the lack of a systematic, determined implementation of a clear growth path. Despite this, 'Bafana Bafana' still brings steady growth in South Africa at rates well in excess of its European and North American trading partners, since the fundamental drivers of growth, such as a large demographic dividend, are all in South Africa's favour.

## South Africa needs a growing economy as the backbone of its efforts to reduce inequality and to implement responsible redistributive policies

If, in accordance with the 'Mandela Magic' scenario, the government implements the NDP in a determined and focused manner, drawing upon elements of both IPAP and the NGP in the process, a very different future is possible – one that sees the economy expand significantly and, consequently, ushers in higher employment levels and better opportunities for many. On the other hand, in a 'Nation Divided', government discards the NDP and succumbs to populist policies as its focus is directed at the internal political battles within the Tripartite Alliance

with attendant higher levels of unemployment and social turbulence in the longer term.

Beyond the various efforts listed in the section on 'Mandela Magic', seven strategic interventions are required to set South Africa on the most prosperous pathway modelled in this paper.

The first is the reform of the state's political institutions, Parliament in particular, to bolster accountability. The current system of party lists (South Africa has a proportional-representation system, with the result that voters vote for a political party, not individual candidates) may have been useful during the formative years, but few national elected figures in Parliament appear to have a sense of responsibility to their specific constituencies. Implementing the recommendations of the Van Zyl Slabbert Commission would go a long way in facilitating accountability between party leadership over rank-and-file legislative representatives, and the voters the latter purport to represent. Appointed in 2002, the commission recommended that the electoral system be changed to a mixed-member proportional system, with 75 per cent of legislative representatives elected from 69 multi-member constituencies, and the remaining 25 per cent from the party list, to ensure overall proportionality.<sup>115</sup> In addition government needs to fully implement its stated intention to tighten regulation to avoid conflicts of interest, the ruling party needs to ban slate-voting during its internal election processes, an end cadre deployment in favour of merit and adopt general instead of narrow numerical goals regarding representation.

The second is a focus on values and ethics. The determined action by Public Protector Thulisile Madonsela

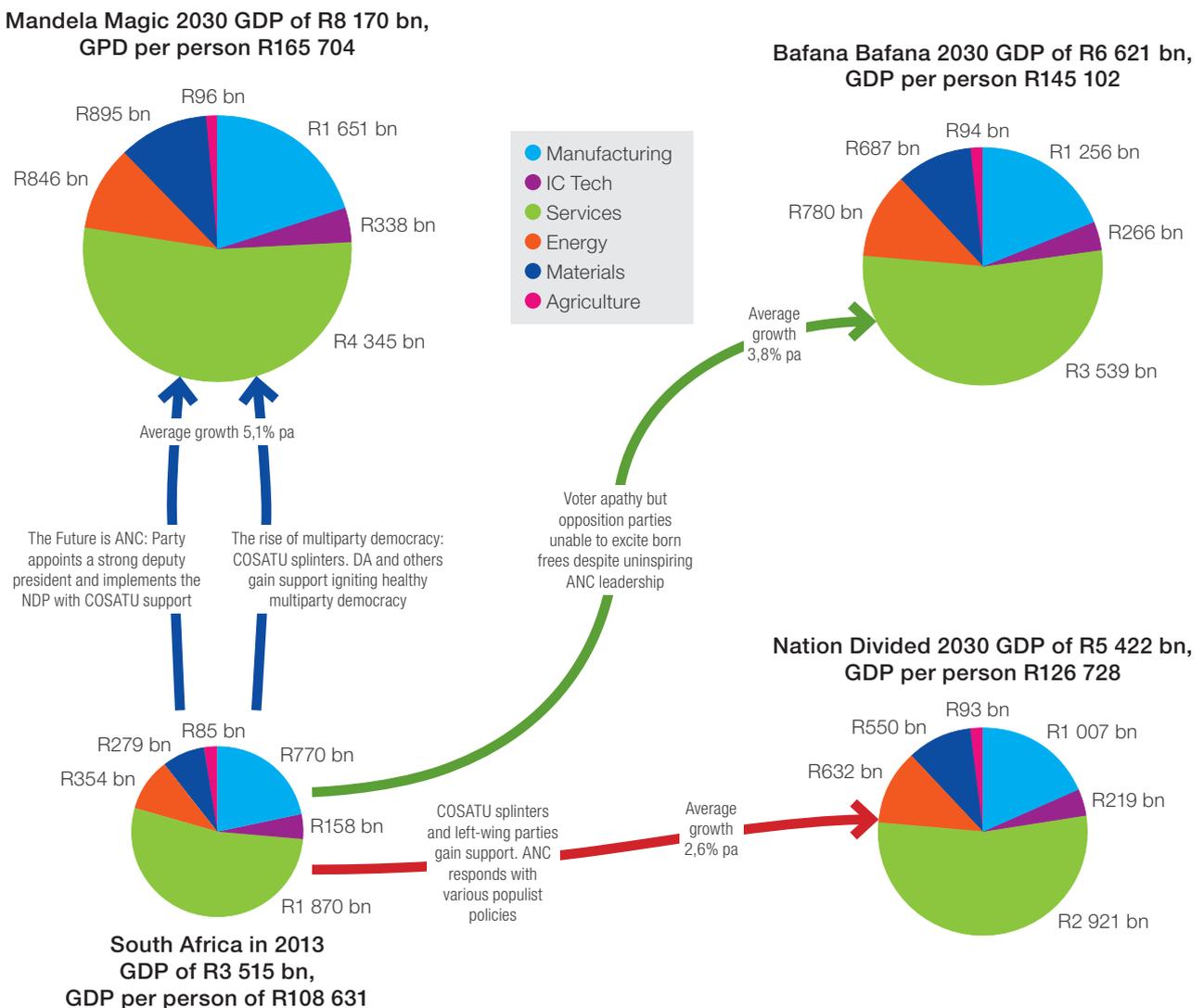
to undertake and release a slew of uncompromising reports on greed, corruption and collusion demonstrates the importance that leadership by key individuals can make. The NDP 2030 is clear on the need to fight corruption and adhere to high ethical standards. The fact is, ethical leadership matters.

While South Africans have among the lowest direct experiences of paying bribes in return for public services in Africa, public perceptions of corruption in the country are nevertheless remarkably high. This is undoubtedly due to the tolerance shown towards abuse of public funds for personal gain widely reported at the highest level in the country over several years.<sup>116</sup> To shed that perception, politicians need to lead by example, and government has to demonstrate the importance that it attaches to the Chapter 9 institutions as well as the host of other structures that have been established to deal with corruption. Action must be taken in every instance of

abuse of public trust and politicians need to be seen to take this action.

The third is to fix education, the most powerful policy tool that can shape South Africa's future and uplift its citizens. South Africa has lost almost two decades in reconfiguring its education system – a failure in policy and implementation that have contributed to the exclusion of many potential employees from a labour market that rewards good education, technical skills and entrepreneurship. Much has already been written on the challenges that face the country in terms of education. One simply needs to add that high-quality, relevant education will provide profound, long-term empowerment to the poor of South Africa, and particularly its black communities. The provision of relevant education should be a top priority for all South Africans for it is truly transformational in ways that palliative economics, including black economic empowerment and affirmative

Figure 12 Summary of scenario outcomes



action, can never match. Education transforms and equalises opportunity.

Economic growth (to bring about increased employment) is the fourth priority. South Africa needs a growing economy as the backbone of its efforts to reduce inequality and to implement responsible redistributive policies. The review of the current situation in South Africa – presented in the section headed ‘Current South African domestic context’ – noted the remarkable progress that has been made to alleviate extreme poverty, if largely through social grants, and move many others up to a middle-class status (if largely on the back of high levels of debt<sup>17</sup>). Many South Africans remain left behind, however, almost all of them young and black, and without the educational opportunities to work themselves out of their dire circumstances. Income inequality harms growth and is socially disruptive at its current levels in South Africa. The barriers to employment, such as rigid labour legislation, therefore need to be lowered, and innovation and entrepreneurship encouraged to unlock the potential of micro, small and medium-sized businesses.

An environment needs to be created in which employers are willing to take on new entrants to the labour market so that they can accumulate the required work experience to make them valuable and productive employees. The implementation of the Employment Tax Incentive Act as from 1 January 2014, which offers a tax incentive for employers to encourage the employment of young people, is an important first step in this direction.

In addition, lowering the barriers to entry into the economy by cutting red tape and simplifying procedures is essential. Here, government needs to grapple with how to ensure that labour does not lose the hard-won gains of the Labour Relations Act of 1995. Additional measures, as set out in the NDP 2030, to reduce inequality will be required – although none can compete with a top-quality education system in terms of delivering opportunities for poor people and boosting employment rates.

The death of beloved former president Nelson Mandela in December 2013 provided an opportunity for South Africans to pause and reflect on his contribution to the country’s economics (the start of the longest period of sustained economic expansion in South Africa’s history) and politics (his focus on reconciliation and inclusion), and to consider a future that is more peaceful, prosperous and participatory for all its citizens.

In line with Mandela’s vision, the fifth priority for South Africa is the revitalisation of a common and active South African citizenship, as reflected in Chapter 15 of the NDP 2030. In support of these efforts, government will have to embark on an extensive outreach process – providing formal opportunities and platforms for public participation as well as providing access to information (which it largely

already does). An active citizenship consists of individuals accepting responsibility for improving local issues where they can make a difference, such as refurbishing a local school, general civic engagement or involvement in local community organisations. It also implies the steady replacement of racial categorisation by a class-based analysis and a conscious effort to reclaim the non-racial traditions within the ruling party.

In the area of foreign policy and trade, the sixth priority is the need for regional integration and the revitalisation of the Department of National Defence and Veterans’ Affairs. South Africa cannot grow in isolation and its future will be influenced by what happens in the immediate neighbourhood, both positively and negatively. Inevitable instability in Swaziland, continued insecurity in the DRC, lack of democracy in Zimbabwe and fast growth in much of the rest of the region would pull South Africa downwards or upwards as the so-called neighbourhood effect kicks in.

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## **The NDP 2030 must be converted into national and departmental action plans that are monitored and measured regularly over the next two decades**

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Yet SADC has missed every self-imposed deadline to improve economic integration and its secretariat is practically moribund. South Africa therefore needs to pursue two avenues in parallel. On the one hand, it needs to provide further impetus to the existing efforts at functional integration, joining up energy, water and transport networks in the region as the lifeblood of, and first steps towards, broader integration. Steady progress is already evident in this regard. On the other hand, South Africa needs to provide more leadership towards open, inclusive and accountable governance in the region. Down the line, these two initiatives would combine to advance regional integration.

If South Africa is to convert its leadership ambitions in Africa into practice beyond reliance upon its mantra of inclusive solutions, difficult decisions need to be taken in the defence domain. The Department of National Defence and Veterans Affairs is neither equipped, nor trained, nor orientated for its future missions. It is mired in indecision, endless transformation and an unsustainable use of its existing budget. This comes at a time when instability is evident in swathes along the northern borders of SADC,

including the long-term instability in the DRC, the Republic of Congo, the Central African Republic, South Sudan and, more recently, Kenya. Despite having the largest defence budget in sub-Saharan Africa, South Africa is only the eighth-largest supplier of troops and police in Africa, and its future capacity is in decline. Time has come for a radical intervention if the country is to avoid future embarrassment. The alternative is for Africa to continue to rely on external interventions in emergency situations, as exemplified in Mali, the Central African Republic and South Sudan.

To grow, South Africa needs to commit to, and stick to, a single, clear plan that can assure a predictable and stable future, and an education system that produces appropriate skills and rewards excellence. The authorities need to communicate and explain such a plan at every opportunity. Information needs to be provided that measures progress and the impact of advancement. In today's global world and in a country that is integrated into the global economy, a high growth path needs to be market- and business-friendly.

Given South Africa's unemployment and inequality challenges, it is imperative that it increases employment levels and implements measures that create a more equitable distribution of wealth and opportunity. The NDP 2030 largely provides the required framework, although, like all plans, it requires amendments and improvements over time. To translate strategy into implementation, the final version of the NDP 2030 must be converted into national and departmental action plans that are monitored and measured regularly over the next two decades. Considerable progress seems to have been made in this regard, but there is evidence that compliance and detailed planning, including cross-departmental collaboration, is uneven.

There can be only one overarching plan for South Africa, and progress made in implementing it must be measured in Parliament, in the Cabinet, by the Presidency (through the DPME), in the Treasury and by public reportage. If it is to be effectively implemented, the NDP 2030 must continuously address accountability failures and the service-delivery crisis in the public service, and provide clarity on the blurred boundaries between local, provincial and national spheres of government, and on the ways in which affirmative action (and lack of entry criteria) is implemented in the civil service. This is the final and seventh priority.

In his New Year message for 2014, President Zuma captured the essence of South Africa's current situation and the key challenges that lie ahead:<sup>118</sup>

Our country is today a much better place than it was before 1994. Life has changed for the better

for millions of South Africans, but some of our people are still waiting. Therefore, our work is not yet completed. We must continue working together in 2014, to build the South Africa of our dreams. Informed by the National Development Plan, we must continue to build a South Africa which inspires people to achieve greater things for themselves and for their country. We must continue to build a society where there is work. A society where everyone would be able to continue to make a meaningful contribution to the development of the country, because they would have been provided with the tools they need to reach their full potential, such as education. This is the society we must continue to build together, taking forward the legacy of our much-loved former president and late father of our young nation, Tata Nelson Rolihlahla Mandela.

## ANNEX: THE INTERNATIONAL FUTURES FORECASTING SYSTEM AND MODEL INTERVENTIONS

The IFs system has been developed under the leadership of Professor Barry Hughes, and is hosted and maintained by the Frederick S Pardee Center for International Futures, at the Joseph S Korbel School of International Relations, University of Denver. The tool has been developed over nearly three decades of work by the pioneering application of modelling and data-analysis techniques. It is used to assess how historical trends and patterns may be projected into future horizons through algorithmic procedures.

It is now used for a variety of research applications ranging from education to health, the environment, conflict and governance. IFs is available for public use; it is available in a web-based form or can be downloaded at [www.ifs.du.edu](http://www.ifs.du.edu).

The IFs tool models relationships across variables from a wide range of key global systems for 186 countries and allows forecasts to be generated up to 2100. Relationships are structured in the model in two interconnected ways: firstly, by leveraging a very large set of historical data series (nearly 2 500 series in the most recent version of the model) and, secondly, by evaluating extant academic literature.

IFs is an integrated assessment model that is built on a foundation of dynamically interacting subsystems. These subsystems include population, economics, health, education, infrastructure, agriculture, energy, environment, governance and international political modules. The software allows users to perform three types of analysis. Firstly, historical trends and relationships can be analysed to understand how a country has developed over time. Secondly, these relationships are formalised in the model to produce base-case forecasts. These initial forecasts – integrated across all systems covered in IFs – are useful indicators of where a country seems to be heading under current circumstances and policies, and in the absence of major shocks to the system (e.g. wars or pandemics). Thirdly, scenario analysis augments the base-case analysis by exploring the leverage that policymakers have to push systems to more desirable outcomes.

The IFs base case is a dynamic and integrated collection of central tendency forecasts that represent scenarios of how the future may unfold. The base case assumes no major paradigm shifts, policy changes or ‘black swans’ (i.e. very low-probability, but high-impact events such as a global pandemic or nuclear war).

The table below<sup>119</sup> details which parameters were changed in IFs, and by how much, to create the three

scenarios analysed in this paper. Each parameter directly modifies one variable or variable group, producing changes against the base-case forecast in IFs. Because of the high level of integration between modules of IFs, with outcomes in one variable influencing the forecast of others, interventions made in one parameter will have secondary impacts on other variables.

Unless otherwise specified, all parameter changes start in 2014 and are interpolated to 2024 and maintained thereafter to 2030. The column on each scenario includes the setting within IFs as well as an estimate of the percentage change that follows. These estimates will not correspond precisely with the actual outcome of the full scenario, since variables in IFs are impacted both exogenously by their parameters and endogenously by other variables in the model. The endogenous variables may then react to the scenario changes in ways that boost or moderate the effects of the exogenous parameter changes.

All scenarios initiate from the 2011 census and assume relatively stable inward migration rates across the time horizon amounting to roughly 0,6 million a year. In addition, natural-gas production is increased in two scenarios to simulate the introduction of fracking technology in South Africa. The ‘Nation Divided’ scenario does not include fracking.<sup>120</sup> In ‘Mandela Magic’, additional interventions to simulate effects of an improved governance structure and investment environment were added to the core interventions. These include faster reductions in HIV/AIDS infection levels and mortality, and reduced incidence of malnutrition and stunting among children. These improvements in healthcare are due to more efficient and equitable medical services and programmes targeted at increased provision of antiretroviral therapy to those who are HIV-positive, and the provision of early childhood development resources and facilities for low-income South African families.

Because of the integrated nature of IFs, the various interventions listed in the table above result in secondary impacts on other sectors of the South African economy and society, all of which contribute to or detract from economic growth. Changes in governance and investment in IFs endogenously affect a number of other systems, including access to infrastructure, education outcomes and the general productivity of the economy. These secondary impacts, in turn, affect other systems in the model as the scenario unfolds. The interaction of systems is important in IFs, as this not only helps to quantify some of the knock-on effects we might expect from each of the scenarios, but also more realistically depicts possible futures by modelling a South Africa in which different sectors of society adapt and respond over time to changing circumstances.

Parameter	Explanation	'Mandela Magic'	'Bafana Bafana'	'Nation Divided'
lapoprm	Multiplier on labour participation rate	1,1 (+10%)		0,95 (-5%)
invm	Multiplier on all investment sectors	1,2 (+20%)		0,9 (interpolated 2014–2019 (-10%), 0,95 (interpolated 2020–2030) (-5% by 2030)
gdsm (infrastructure)	Multiplier on government expenditure on investment	1,1 (+10%)		0,9 (-10%)
gdsm (R&D)	Multiplier on government expenditure on R&D	1,2 (20%)		0,3 (-70%)
govregqualm	Multiplier on regulatory quality	1,2 (+20%)		0,8 (-20%)
govcorruptm	Multiplier on corruption (higher values imply higher scores on the Transparency Index and therefore lower incidence of corruption)	1,1 (+10%)		0,8 (-20%)
econfreem	Multiplier on economic freedom	1,1 (interpolated 2014–2020)		0,8 (interpolated 2014–2020) (-20% by 2020)
goveffectm	Multiplier on government effectiveness	1,125 (+12,5%)		0,9 (-10%)
democm	Multiplier on democracy index score	1,05 (+5%)		0,9 (-10%)
fdistockr	Annual growth rate in stocks of FDI	8 (+5 percentage points)		Interpolated to -1 (-4%) by 2019, up to -0,5 by 2030 +0,5%)
sfintlwaradd	Additive factor affecting probability of internal conflict in a country over time	-0,12 (-12%)		0,15 (+15%)
hivtadvr	Rate of advance in controlling HIV infection spread	-0,75 (+15 percentage points)		
aidsdratem	Multiplier on AIDS death rate as a percentage of HIV infection rate	0,75 (-25%)		
malnm	Multiplier on prevalence of malnutrition in population	0,8 (-20%)		
govhhtrnwelm	Multiplier on government to household transfers for social welfare reasons	1,2 (+20%)		
enpm (gas)	Multiplier on energy produced from natural gas	3,2 (interpolated 2010–2050)	+2,2 (interpolated 2010–2050) (+220%)	
enpm (other renewables)	Multiplier on energy produced from other renewable sources (solar, wind, etc.)	1,8 (interpolated 2014–2050) +80%		
enpr (gas)	Initial condition modifier to growth rate in natural-gas production, expressed in decimal form	0,1 (+10%)	0,1	
resor (gas)	Initial condition modifier to amount of ultimate recoverable natural-gas resources	75 (2010–2100) (-22,336)	75 (interpolated 2010–2100) (-22,336)	

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## ABOUT THE PAPER

This paper presents three scenarios for South Africa up to 2030: 'Bafana Bafana', 'A Nation Divided' and 'Mandela Magic'. The nation's current development pathway, called 'Bafana Bafana' is the well-known story of a perennial underachiever, always playing in the second league when the potential for international championship success and flashes of brilliance are evident for all to see. 'Mandela Magic', on the other hand, is the story of a country with a clear economic and developmental vision, which it pursues across all sectors of society. Competition is stiff and the barriers to success are high. The scenario of 'A Nation Divided' reflects a South Africa that steadily gathers speed downhill as factional politics and policy zigzagging open the door to populist policies. The impact of the policy and leadership choices that South Africans will make in the years ahead, explored in this paper, is significant. The South African economy could grow 23 per cent larger in 'Mandela Magic' compared with its current growth path ('Bafana Bafana'). The paper concludes with seven strategic interventions required to set South Africa on the most prosperous 'Mandela Magic' pathway.

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