

BTI 2010 | South Africa Country Report

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Democracy	1-10	7.60	# 31 of 128	↓
Market Economy	1-10	6.71	# 36 of 128	↘
Management Index	1-10	5.99	# 33 of 128	

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

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	47.9	HDI	0.68	GDP p.c.	\$	9768
Pop. growth	% p.a.	1.0	HDI rank of 182	129	Gini Index		57.8
Life expectancy	years	50	UN Education Index	0.84	Poverty ²	%	42.9
Urban population	%	60.3	Gender equality ¹	-	Aid per capita	\$	16.6

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

Executive Summary

The period under review saw the surprising end of the Mbeki era. After nine and a half years in office, Thabo Mbeki stepped down from the presidential office on 23 September 2008 after becoming the first sitting South African president to be recalled by his own party. His resignation and replacement by the African National Congress (ANC) deputy president, Kgalema Motlanthe, was the culmination of political infighting with the governing party, the ANC, over the last four years. The crisis that led to Mbeki's retreat from office was a High Court decision that set aside the prosecution of Mbeki's rival, Jacob Zuma, on fraud and corruption charges. The Pietermaritzburg (KwaZulu-Natal) High Court ruled that procedural mistakes were made in the prosecution of Zuma, but more significantly, the sitting judge suggested that undue political influence was exerted by Mbeki to ensure the successful prosecution of Zuma. A Supreme Court of Appeal decision in January 2009 overruled this verdict and has opened the way for new investigations and possible charges. This has given rise to the possibility that Zuma, the ANC's presidential candidate for the 2009 general elections, may have to face criminal charges while being the president of the republic. The ANC declared that the court's decision would not affect its support for Zuma's candidacy.

The decision marked another episode in a corruption scandal related to the country's controversial arms procurement program. The arms deal dates back to the late 1990s, and numerous claims of impropriety have surfaced in the years since contracts were signed with British, German and Swedish arms manufacturers. In 2005, Zuma's financial advisor, Schabir Shaik, was found guilty of corruption and fraud and charges related to the arms deal. The court sentenced Shaik to 15 years in prison and, amongst other things, alluded to the possibility of a mutually beneficial corrupt relationship between Shaik and Zuma. Zuma was not a party to this case, but it nonetheless provided the impetus for an investigation into Zuma's role in the arms deal. Shortly after the Shaik trial, President Mbeki "released" Zuma from his duties as vice president in 2005.

Zuma's recall laid the foundations for Mbeki's demise, as Zuma retained strong ties with grassroots supporters within a Mbeki administration that became increasingly removed from the daily struggles of ordinary South Africans. In December 2007, Zuma and his supporters in the left wing of the ANC, the South African Communist Party (SACP), the Congress of South African Trade Unions (COSATU) and the ANC Youth League defeated Mbeki and his centrist allies at the party's national conference, which is held every five years. The conference rejected both Mbeki's program and his style of politics and elected Zuma as party leader, which made him the ANC's logical presidential candidate for the 2009 general elections (see "strategic outlook" for results). Zuma is widely perceived as a populist. It remains unclear whether his prospective government will change the economic policy substantially. Much depends on the degree of influence of his political allies in the new government. Both COSATU and the SACP will try to increase the role of the state in the South African economy and expand the welfare system.

Since Jacob Zuma is not a member of the parliament, he cannot be interim president up to the next elections scheduled for April 2009. ANC Vice President Kgalema Motlanthe was elected as interim president, but it was commonly accepted that real power did not reside in the presidency, but rather in the head office of the ANC. One of the new leadership's first decisions was to dismiss Minister of Health Manto Tshabalala-Msimang, who had been criticized widely within South Africa and by Western governments for her reluctance to fight HIV/AIDS.

In solidarity with Thabo Mbeki, 11 key cabinet ministers and three deputy ministers resigned together with Mbeki. Importantly, Finance Minister Trevor Manuel, the world's longest-serving finance minister, who has for more than a decade received credit for the country's prudent economic policies, decided to stay on in government. Fears of his possible resignation and the likelihood of a more populist approach to the economy sent stocks on the Johannesburg Stock Exchange tumbling by 18%, only to recover after his announcement that he would continue to serve in the cabinet. In December 2008, ANC dissidents founded a new party, the Congress of the People (COPE). Former defense minister and ANC veteran politician Mosiuoa Lekota became the first party president, and it received support from several well-respected former ANC leaders, such as co-founder Sam Shilowa, the former premier of Gauteng province, the country's most affluent province. With COPE's launch, the ANC faces real competition for the first time in the history of the democratic South Africa, because COPE can become an alternative for black South African voters. The South African party system is in flux. But it is not clear whether this will lead to further fragmentation or whether COPE will be reintegrated into the ANC.

The internal ANC conflict and the retreat of Thabo Mbeki absorbed a great deal of political energy and no major political decisions had been taken. The country occasionally appeared to be politically polarized and paralyzed with respect to decision-making.

Turbulent political developments were not mirrored by economic developments. During the period under review, South Africa continued on the path of high growth rates. In 2006 and 2007, GDP growth rates continued to hover around 5% and per capita incomes grew remarkably up to

\$5833 (PPP). But the growth rate was reduced to a meager 3.1% in 2008 and the forecast for 2009 anticipates a negative growth rate as a result of the global financial and economic crisis. The economic decline will put pressure on the new government elected in April 2009 to loosen its conservative fiscal policy. It is expected that an extensive public infrastructure expenditure program, which has been underway since 2007, will play a significant role in providing a buffer against some of the worst effects of the global slowdown. Unlike many other economies that have embarked on such public spending in response to the global economic slowdown, the South African infrastructure expansion program has already been in place and will not be altered significantly. The structural problems of the South African economic and social fabric remained largely unchanged. Inequality remains high and although unemployment continued to decline for the period under review, the creation of sustainable long-term job opportunities remains a significant challenge and will be put under further pressure by the global economic slowdown.

History and Characteristics of Transformation

In terms of a transition to democracy, South Africa may be regarded as one of the rare success stories on the African continent. The country made huge progress on the way to democratic consolidation. The negotiated (“pacted”) transition to democracy started 15 years ago in 1990 and led – after a difficult period of immense violence and uncertainty about the future of the country – to the founding elections of 1994. A deeply divided and segregated society has been the legacy of hundreds of years of discrimination and the apartheid period (from 1948 on). Major challenges in democratic consolidation include the establishment of representative and efficient political institutions, the economic reform of a country that had been weakened by sanctions and international isolation, and reconciliation between different racial groups. The task has been to overcome the division of the past and to create or at least foster a new South African nation and find a common identity for all groups. The economically and socially disadvantaged black South African population demanded and hoped for an extension of the welfare system to improve their situation. At the same time, the reintegration of the South African economy into the global economy and a shift in foreign relations, especially toward the African continent, were at stake.

Although there was notable disillusionment among the population about the government’s ability to cope with the problems as well as growing skepticism toward democracy, the government nevertheless maintained a high level of electoral support. The ANC won all three democratic elections with an ever-growing share of the total vote, although voter participation declined. Dissatisfaction with the ANC could not translate into support for the political opposition because the party system is still polarized along the lines of skin color. Furthermore, the ANC is regarded as the harbinger of freedom and democracy among the black majority. Although support for the ANC is still strong, protests against deficits in service delivery, which in some cases developed into public violence characterized by arson, intimidation and the destruction of public and private property, have sporadically broken out.

Despite spontaneous outbursts of violence, surveys reveal strong support for democratic principles and values. According to the Institute for a Democratic South Africa (IDASA), one reason for the general satisfaction is that the majority of South Africans reported that their material conditions have improved, although research studies have found that levels of inequality have not declined substantially. South Africa continues to have high income inequality according to the GINI coefficient. Despite all efforts by the government to mitigate income disparities, the GINI coefficient increased from 0.67 in 1994 to 0.68 in 2006 (Institute for Justice and Reconciliation: 2008 Transformation Audit: Risk and Opportunity, Cape Town). It is noteworthy that the GINI index within the black population groups has sharply increased. This reflects the emergence of a black middle and upper class, the winners of economic reform policy and Black Economic Empowerment (BEE).

Economic development after 1994 proceeded through different phases. After a period of relatively modest growth, the last five years have seen a flourishing economy with the highest growth rates in the last two decades. As a result of economic growth and social policy, poverty decreased slightly up to 2007.

The first black government under President Mandela's leadership introduced the Reconstruction and Development Programme (RDP) in 1994. This comprehensive program focused on improvements in meeting basic needs, fostering human resources and the establishment of a social system. Civil society groups had to be included into planning an implementation. But the Reconstruction and Development Programme (RDP) was short-lived. The integration of civil society proved to be impracticable and general economic trends were unfavorable for massive increased social spending beyond efforts to improve the provisioning of basic services (electricity, water, sanitation). Therefore, the program was replaced by a new one, the Growth, Employment and Redistribution Programme (GEAR). On the one hand, GEAR continued efforts to assist underprivileged non-white communities, but on the other hand emphasis was put on macroeconomic stabilization and included privatization, import and trade liberalization programs. GEAR was very much in line with the more liberal policies of the Bretton Woods system during the 1990s and international business and donors reacted positively. But the reaction to GEAR was different on the domestic front. The economic and fiscal policy of the Mbeki government led to heated political debates and became the main reason for an ongoing crisis within the Tripartite Alliance. The Alliance has its roots in the liberation struggle against the apartheid regime. It consists of the ANC in a centrist position, the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP) on the left. Since 1994, the alliance has been characterized by growing infighting between a more free market-oriented part of the Alliance that strongly advocates for privatization and further liberalization, and a more socialist-oriented group - represented by COSATU and the SACP - promoting a major state role in the economy. Much of the political debate in South Africa was concerned with macroeconomics and social matters. Owing to government inertia and the lack of efficiency of programs, however, the HIV/AIDS pandemic remained one of its biggest challenges. The HIV/AIDS policy of the government was heavily criticized by the alliance partners and civil society, which withdrew its political support from the Mbeki government.

Thabo Mbeki was largely successful in pursuing his more conservative policy against massive political resistance that included large-scale strikes by the COSATU trade unions. The path of economic and fiscal policy, combined with his autocratic and at times arrogant style of leadership, was rejected by the alliance partners and some ANC factions. This explains to a large extent the political support of the alliance partners for Jacob Zuma. The Mbeki government tried to accommodate critics from the left and cautiously started a reorientation of economic policy. The president and the influential Finance Minister Trevor Manuel have pushed for a greater state role in the economy. In 2004, they announced budget shifts in favor of increased social spending to enhance social justice and lessen inequality. In retrospect, this change proved to be unsuccessful; the estrangement between the different factions led to the intra-party revolt which ousted President Mbeki from power in September 2008.

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

Without a doubt, South Africa remains a success story. Yet the country still faces tremendous challenges. In 2007, the country report of the African Peer Review Mechanism (APRM) stated that despite the great progress the country made after the elections 1994, "South Africa remains a country of imbalances, disparities, distortions and a number of paradoxes." The most prominent of these negative attributes are the persistence of large-scale poverty, high levels of inequality, high crime rates, and a dualistic economic and social structure. Every South African government will have to face these challenges. With the end of the Mbeki era and the election of Jacob Zuma, questions of political stability and good governance are on the agenda again.

Transformation Status

I. Democracy

1 | Stateness

With the exception of some crime-ridden areas, the government's monopoly on the use of force is established throughout the country and is not seriously challenged. Rampant crime is not always effectively contained in some areas, particularly in some cities, and leads to a widespread feeling of insecurity among South Africans of all skin colors. The police reacted inadequately to xenophobic attacks against immigrants from Zimbabwe and neighboring states. Dozens of immigrants were killed by the mob.

Monopoly on the use of force

All South African citizens enjoy the same civic rights, regardless of race and religion. All forms of discrimination are forbidden by the constitution and violations are prosecuted. The vast majority of South Africans accept the nation-state. Support for white secessionist right-wing groups is very limited, even among whites. The influx of African migrants through the country's porous borders has, however, led to strong xenophobic sentiment among many South Africans and in 2008 this erupted in a spate of violent attacks on migrants from elsewhere in Africa that saw almost 40 people killed in some of the country's poorest neighborhoods. Interestingly, such violence was almost exclusively directed against Africans and not migrants from European or Asian origin. This dealt a significant blow to the image – shared by many South Africans – of the country as a global exemplar of tolerance and harmony. It largely dispelled the “rainbow nation” mythology that still persisted amongst many citizens. It also posed questions about the country's African identity, which it has tried to cultivate at great pains since democratization in 1994 by leading the African Renaissance initiative and being an instrumental part of the development of the African Union.

State identity

South Africa is a secular state. Religion plays an important role in the daily life of many citizens. Only some small Muslim groups, who have less support than before, question the secularity of the state.

No interference of religious dogmas

South Africa's administrative structure is geographically differentiated into local (municipal), regional and national administrative bodies. It covers the whole territory. Administrative effectiveness in some parts of the country – especially in the North Cape, the Eastern Cape, and Mpumalanga provinces – is hampered by lack of human and physical infrastructure. In general, administrative bodies are able to implement policies.

Basic
administration

2 | Political Participation

The last elections covered by this report took place in April 2004. Both the Independent Electoral Commission (IEC) and international and independent national election observers judged the parliamentary elections free and fair according to international standards. The ANC enjoyed an overwhelming victory, gaining over two-thirds of the vote in the national parliamentary elections and up to 80% of the total vote in some provinces. The voter turnout of 77% in 2004 was lower than in 1999 when it stood at 89%. But if low registration figures are taken into account, one can calculate that only 60% of the population voted in the 2009 election. In local elections, voter turnout is remarkably lower with 48% in 2006; this third local election in 2006 proceeded smoothly throughout the country. In the Khutsong townships, residents protested against the transfer of their municipality from the Gauteng to North West province. The ANC was again victorious throughout the country and received 64.3% of the ward votes. But in Cape Town's highly prestigious elections, Helen Zille, the leader of the Democratic Alliance (DA) party, won a marginal victory in the major elections. She was supported by a coalition of smaller parties. Elections in South Africa have become a democratic routine.

Free and fair
elections

The South African executive has the effective power to govern the country. There are no veto powers threatening democratic governance. The army is non-political and professional, and big business, some socialist groups within the ANC and the trade union movement support democratic principles.

Effective power to
govern

The South African constitution guarantees the freedom of association and free assembly. These rights are respected. In some cases the police have been accused of overreacting to illegal demonstrations. In some areas, isolated cases of candidate intimidation during electoral campaigns by opponents – but not by state agencies – have been reported.

Association /
assembly rights

Press and media freedom is guaranteed by law and respected. Only "hate speech" is prosecuted by law. Occasionally, the press is harshly criticized by politicians who feel offended or unfairly treated. But even if the critique comes from top ANC politicians, this does not lead to any restrictions on the independence of the media. Threats of legal action by politicians might be seen as an effort to intimidate

Freedom of
expression

journalists. Political influence in the state-owned South African Broadcasting Corporation (SABC) led to journalists who voice criticism of the government being replaced by more loyal ANC supporters.

3 | Rule of Law

The formal separation of powers is established by the constitution. South Africa has a parliamentary system of government. The result is a convergence between the parliamentary majority and the executive. The South African parliament elects the president. The connection between parliament and government leaves the control function of parliament mainly to opposition parties. The overwhelming dominance of the ANC and the relative weakness of the opposition have limited the parliament's ability to check the executive and to influence politics in general. Therefore, the executive plays a dominant role. The parliament has not yet become the "hub" of South African politics. The already weak parliamentary opposition was further weakened by the South African practice of floor crossing. The Fourth Amendment Act in the constitution permitted two 15-day periods in every five-year parliamentary term, in which members of national (and of provincial and local assemblies) may cross over to other parties without losing their seats in the Assembly. This practice was per se not undemocratic but it eroded the already weak link between members of parliament and their voters and negatively affects trust in politicians; it also opened opportunities for the dominant ANC to co-opt politicians from opposition parties. As a result of floor crossing, the ANC was able to increase its majority of seats from 69% to 73%. This further weakened the opposition and diluted its oversight function. The practice of floor crossing was abolished in mid-2008.

Separation of powers

Apart from its relative weakness vis-à-vis the executive, the parliament also faces a credibility problem as a result of the financial unaccountability of its members. The so-called "Travelgate Scandal," in which members of parliament improperly used travel vouchers issued to them by parliament, cast a shadow over the institution's integrity. Thus far, all of those found guilty have been publicly reprimanded by the speaker, but none of them has been dismissed from their party.

In contrast to parliament, the judiciary, in particular the Constitutional Court, is a much stronger player capable of checking the executives. Some of the court's rulings were major defeats for the executive and the parliament, although the executive and the ANC play a decisive role in the recruitment process. The judges may not be members of parliament. They are selected for a term of 12-15 years by the president on the basis of a proposal made by the Judicial Service Commission and in co-operation with the chief justice and the leaders of political parties. During the period under review, there have been increasingly frequent instances in which state institutions have been employed to fight partisan political battles in the contest

for power between Mbeki and Zuma. Prior to the 2007 Polokwane conference, the National Director of Public Prosecutions and Director General of National Intelligence were suspended on the basis of issues related to the leadership battle. The Scorpions, the elite corruption-fighting unit which investigated Jacob Zuma, were abolished shortly after the elections.

The South African judiciary acts independently without interference from the government. Constitutional provisions aiming at promoting and safeguarding judicial independence are established. These safeguards include the protection from arbitrary removal from office, security of tenure, and a guarantee against the reduction of salaries by the government. Political debates about the necessity of transforming the justice system have not led to changes in the independence of the judiciary. But fears are growing that provisions in draft legislation tabled before the parliament (e.g., the Judicial Conduct Tribunals Bill, the Superior Courts Bill) could threaten the independence and/or delivery of justice in the country. There are concerns related to the powers given to the executive on matters such as the appointment of senior judges and the management of the budgets of the judiciary bodies. The judiciary has, however, come under significant pressure during the state's case against Jacob Zuma. Judges that have ruled against Zuma have, for example, been accused of being elitist, "counterrevolutionary" and disinterested in the plight of ordinary citizens. In 2008, a number of constitutional court judges lodged an unprecedented complaint against the Judicial Service Commission, specifically against Cape Judge President John Hlope, who they accused of trying to influence the Constitutional Court's findings in Jacob Zuma's case. Political pressure on the courts, especially in the case of Jacob Zuma and other high-level corruption cases, substantially increased during the period under review.

Independent
judiciary

A differentiated legal framework to penalize office holders who abuse their power has been established during the last 15 years. The regulations are in place, but due to capacity restrictions and lack of political will, they are not enforced sufficiently. This is especially true for high-level corruption cases. Whistleblowers, who are regarded as troublemakers by many politicians, are not adequately protected by law. The Protected Disclosures Act, approved in 2000, which should protect them, is largely ignored and whistleblowers face disadvantages or even physical violence. The public protector, who also serves as a kind of ombudsman, has repeatedly complained about the practice but this has not lead to changes so far. There seemed to be a lack of enthusiasm by the ombudsman to investigate potentially contentious cases.

Prosecution of
office abuse

The protection of civil rights by the constitution and subsequent legislation is impressive. In addition, several specific institutions for monitoring, research and further improvement of government policies have been established by the constitution. Among others, these "Chapter 9" institutions cover human, cultural and gender rights. There are no systematic violations of civil rights on behalf of the

Civil rights

government, but negligence, occasional ignorance and inefficient implementation play a role. National and international human rights groups (see Amnesty International Report 2008) continue to report civil rights violations with respect to the excessive use of police violence against demonstrators and the maltreatment of suspects in police custody in prisons. Furthermore, immigrants are not always treated properly by the police, who fail to protect them against xenophobic violence. Immigration detention often lasts too long. The situation of women's rights continues to be difficult. Although the number of rapes and cases of sexual abuse recorded is slightly decreasing according to security institutions, the number is still extraordinary high in comparative perspective. It is too early to judge the effects of the new Criminal Law (Sexual Offences and Related Matters) Amendment Act, which was signed by President Mbeki in December 2008. It took nearly ten years to finish this legislative reform, which provides more detailed definitions of offences and crimes. Despite the fact that South Africa has the largest anti-retroviral provision program in the world, millions of HIV-infected South Africans still lack access to antiretroviral treatment as a result of delays, inadequate funding and inefficient administration. The problems are well known to the government and recognized by the government, as well as by authorities such as the Independent Complaints Directorate (ICD), but the implementation of legislation and concrete measures is still inadequate.

4 | Stability of Democratic Institutions

In general, democratic institutions are capable of performing. Due to aforementioned reasons, the hegemonic position of the ANC leads to the dominance of the executive and a limited oversight role for parliament. During the period under review, growing infighting within the ANC has negatively affected the performance of the national executive, provincial executives and departments. Some provincial administrations and some government agencies have limited effectiveness and do not deliver. This results from a loss of experienced and qualified personnel, which in some cases has resulted from affirmative action in favor of formerly disadvantaged population groups.

Democratic institutions, in particular elections, are accepted by all relevant players. However, some leading politicians, including the most likely next president of South Africa, Jacob Zuma, make statements glorifying the armed liberation struggle. For example, one of Zuma's most ardent supporters, Julius Malema, leader of the ANC Youth League, indicated in a public platform at the end of 2008 that he would "kill for Zuma." This is mostly rhetoric to attract political support and reflects a partly undemocratic political culture but not a general refusal of democratic institutions.

Performance of
democratic
institutions

Commitment to
democratic
institutions

5 | Political and Social Integration

The last elections in 2004 confirmed that South Africa has a dominant party system. Dominant party systems are generally characterized by uninterrupted electoral dominance and unbroken governance by one party. In addition to dominating the political process, dominant parties shape the public agenda and have a major influence on society as a whole. Dominant parties are not necessarily undemocratic, as the examples of Japan and Italy reveal, but there is a danger that patronage, corruption or even a gradual development into more authoritarian forms of government will occur.

Party system

The gap between the ANC and the strongest opposition party is huge. Whereas the ANC received over 10 million votes, the Democratic Alliance (DA) received only two million. Due to the proportional vote with no threshold (around 0.2% of the total vote is sufficient for a seat in parliament), seven parties with a total share of votes below 5% are represented in parliament. None of the political parties is really able to challenge the ANC. The ANC enjoys broad support among non-white South Africans due to its leading role in the liberation struggle against apartheid. The South African party system is still polarized along the lines of skin color. Blacks still vote for the ANC or regional and/or ethnically based parties, such as the IFP (KwaZulu-Natal province, with mostly Zulu voters). For most black or colored voters, with the exception of the situation in the Western Cape, the DA is not a suitable alternative because voter preferences are still shaped by the apartheid past. (nb: “Colored” is the widely used term in South Africa to refer to ethnic groups with some sub-Saharan ancestry but which are not necessarily “black” according to South African law.) Blacks still perceive the DA as being a white party that – for historical reasons – cannot be their political home. Therefore, the party systems remained stable between 1994 and 2008 and voter volatility was relatively low. In general, the political parties in South Africa are much more strongly rooted in society than political parties in most African countries. The ANC can be seen as a catch-all party offering a political home for different social groups ranging from the industrial workforce to black entrepreneurs. The ANC has especially strong links to civil society, in particular to the trade union movement.

As a result of the ANC infighting between the Zuma and Mbeki camps leading to the resignation of President Mbeki in September 2008, the party system is in flux. In December 2008, dissident ANC members founded the Congress of the People (COPE). The political profile of the party is not yet clear. It seems that there are no major ideological differences to the ANC. COPE party leaders, among them many heavyweights of the ANC, stress continuity with the Mbeki era. The electoral campaign focuses on “honest leaders” and promises a more serious fight against corruption. The party tries thereby to benefit from the Zuma corruption case.

Currently, the party tries to position itself within the South African party system. In February 2009, the party named the widely unknown Methodist bishop Mvume Dandala as their candidate for the presidency. In March 2009, Phumzile Mlambo-Ngcuka, the country's former deputy president, and business tycoon Saki Macozoma joined COPE.

The ANC has reacted with outrage and accused the dissidents of being traitors. Jacob Zuma even called the dissidents "poisonous snakes." It has been reported that in some parts of the country the ANC has tried to intimidate COPE supporters. The founding of COPE is the first real challenge for the ANC.

Due to its status as a half-industrialized country, South Africa has a well-developed and well-organized system of interest groups. Both labor and business are well organized and represented in umbrella organizations. The trade union federation COSATU is close to the government through cooptation of its leaders by the ANC and government agencies, and by virtue of simultaneous memberships of senior trade unionists in the ANC. Business is also well organized and there is a tendency to overcome "skin color" or racial cleavages among the business interest groups. Aside from the industrial relations sector, the churches play an important role in society and politics. Compared to other African countries, the landscape of interest groups in South Africa is rather dense and the groups are able to mediate between society and the political system.

Interest groups

Because the latest survey of the Afrobarometer covering the period 2007 – 2008 was not published before this report was written, this report is based on the 2006 figures. According to the Afrobarometer (www.afrobarometer.org), the support for democracy in South Africa is high: 65% of the respondents state that democracy is always preferable and large majorities (between 60-70%) reject different forms of authoritarian rule. But these figures are below the mean of the survey data for 18 African countries. On the other hand, satisfaction with the performance of democracy is higher than in most countries.

Consent to democratic norms

South Africa has a broad range of autonomous, self-organized groups. Estimates put the number of these organizations, called Community-Based Organizations in the country, up to 50,000. This high number is partly the result of mobilizing effects during the anti-apartheid struggle and the neglect of the majority's social interests and needs under apartheid.

Associational activities

The long history of racial segregation and apartheid has affected the emergence of social trust among the population. Social trust is still low across racial lines. Interactions between the different racial groups are often limited to the workplace. Even civic groups and many interest groups remain split along the lines of skin color. Social trust can be found within the different racial groups and local communities and regional entities. According to the SA Reconciliation Barometer

Survey 2008, trust, optimism, the belief that the government can handle the country's problems and the degree of interactions with people from other racial groups have clearly decreased. On the opposite, racial polarization has been on the rise in general.

II. Market Economy

6 | Level of Socioeconomic Development

Although South Africa has a modern industrial sector, a well-developed infrastructure and considerable human resources, its HDI score is only 0.674, which corresponds to rank 125 out of 177 countries (2008). This low ranking remains unchanged compared to the period before, although life expectancy rose from 47.7 years to 50.7 years. There are structural reasons for this low ranking. Still, South Africa is a divided society where approximately 30-40% of the population are more or less excluded from the modern sector and try to survive in the informal sector or rely heavily on transfers from the government. The subsistence sector is relatively small compared to other African countries. The number of South Africans infected with HIV/AIDS remains at over 5 million. The effects are disastrous, although the government has given up its resistance to anti-retroviral medication and much effort has also been made in recent years to destigmatize the virus. The treatment of the infected and ill, and the associated grants for disability, constitute a heavy burden on the welfare system. In addition, South Africa's human capital development is negatively affected. Absolute poverty is lower in comparison with other African countries (see "education policy/R&D").

Socioeconomic
barriers

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	216011.7	242801.7	257729.7	283743.4
Growth of GDP	%	4.9	5.0	5.3	5.1
Inflation (CPI)	%	1.4	3.4	4.6	7.1
Unemployment	%	26.2	26.7	25.5	23.0

		2004	2005	2006	2007
Foreign direct investment	% of GDP	0.3	2.7	-0.1	2.0
Export growth	%	2.9	8.0	5.6	8.3
Import growth	%	14.5	10.3	18.8	10.4
Current account balance	\$ mn.	-7003.3	-9722.8	-16120.6	-20779.7
Public debt	\$ mn.	13793.4	15661.6	13939.8	13868.1
External debt	\$ mn.	27112.4	31098.7	35548.8	43380.1
Total debt service	% of GNI	1.2	1.4	2.2	2.1
Cash surplus or deficit	% of GDP	-2.0	-0.2	1.4	1.6
Tax Revenue	% of GDP	25.7	27.3	28.7	29.0
Government consumption	% of GDP	19.4	19.4	19.4	19.7
Public expnd. on edu.	% of GDP	5.3	5.3	5.4	5.4
Public expnd. on health	% of GDP	3.0	3.0	3.0	-
R&D expenditure	% of GDP	0.9	0.9	1.0	-
Military expenditure	% of GDP	1.6	1.6	1.5	1.4

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

7 | Organization of the Market and Competition

South Africa has never undergone a socialist period like many African countries although state intervention has historically played an important role. For political reasons, state intervention was used before 1994 to protect the white working class against labor market competition. Therefore, state and parastatal companies still play an important role. The fundamentals of a market economy are well established in South Africa. Compared to other African countries, the informal sector is relatively small, comprising approximately only 16% of employment. The number of jobs in the informal sector has declined in recent years. Due to the legacy of apartheid, an important aim of the government is the empowerment of black people by affirmative action and a strategy named Black Economic Empowerment (BEE). Since the results were disappointing and only few benefited from BEE, the political discussion focuses more on broad-based black economic empowerment (BBBEE) as a future strategy.

Market-based
competition

These measures can be considered state interventions in the labor market and the ownership of business. The BEE targets are negotiated within specific sectors of the economy between business associations or large-scale companies and the government. Usually, a sector charter is drawn up that serves as a guideline for implementing BEE that requires preferential hiring for black employees. BEE measures are to be implemented by foreign business companies too.

In 1998, the Competition Act laid the foundation for South Africa's anti-monopoly policy. The Competition Commission has become more active and has prohibited price-fixing cartels in many industries. In many cases fines, have been imposed, as was the case in an investigation into price-setting by steel companies in Cape Town, resulting in a fine of 692 million rand (approximately \$70 million) for Mittal Steel South Africa. The Commission recently ruled against bread cartels that were fixing the price of bread above acceptable market prices and, importantly, also against banks for setting excessive bank charges. A court ruling against the finding of the Commission against Telkom, the largest South African telecommunications operator, is currently underway. SA Telkom was notorious for its high prices and quasi-monopoly status.

Anti-monopoly
policy

Foreign trade has been liberalized to a large extent after 1994 as a part of the Growth, Employment and Redistribution Program (GEAR). The liberalization of trade and the capital market was done in close cooperation with the IMF. The South African economy has a high degree of openness. Non-South Africans received full access to the JSE Securities Exchange and the South African Bond Exchange (SABE). In contrast to trade and capital markets, liberalization has been much slower and sensitive social sectors are still excluded. After years of negotiations, a free trade agreement with the European Union (Trade Development and Cooperation Agreement (TDCA)) was signed in 2004 and subsequently trade between South Africa and the EU has increased. In particular, South African exports grew. The TDCA had to be renegotiated with the European Commission in 2008. At the end of 2008, when negotiations for the Economic Partnership Agreement (EPA) between the EU and the Southern Africa Development Community (SADC) were scheduled for completion, South Africa refused to sign an interim agreement, because it included services among the items upon which tariffs were expected to be lowered. South Africa felt that its services industry had not developed sufficiently for this and that the agreement would damage the SADC.

Liberalization of
foreign trade

The country has a solid, effective and internationally competitive banking system. There are a handful of competing large private banks (e.g., Standard Bank, ABSA, Nedbank, First National Bank) and a number of smaller banks. Some have branches or hold substantial shares of banks in other African countries, such as Stanbic Bank in Uganda. A range of international banks have branches in the industrial and commercial centers. The capital market is differentiated and the Johannesburg Stock Exchange (JSE) is the largest stock exchange in Africa, listing over 400

Banking system

companies. South Africa's well-run banks have also become attractive investments for international banks. Barclays from Britain has bought a majority share of 60% in ABSA in 2005, and in 2007 the Industrial and Commercial Bank of China (ICBC) bought a 20% stake in Standard Bank, which also gave the Chinese a stronger foot in the African banking sector (Standard has branches across the continent) to support its other ventures across Africa.

8 | Currency and Price Stability

Between 2003 and 2006, the inflation rate was between 3.9% and 6.8% and remained within the government's target corridor. Due to higher food and fuel prices, the inflation rate began to increase in 2006 and hit 10% in 2007 and continues to rise in 2008 as a result of the ongoing financial crisis. The inflation rate is clearly above the government target of an inflation rate between 3-6%. Lower food and oil prices resulted in a slight decrease of the inflation rate in the second half of the year. In addition, a new basket price survey for measuring inflation led to an approximately 1% lower rate.

Anti-inflation /
forex policy

The loss of confidence in emergent markets affected the exchange rate of the South African currency, the rand, towards the U.S. dollar and the euro. The rand lost between 15% and 20% of its value against the major currencies. Political developments have not yet affected the exchange rate, because both the internationally well respected Finance Minister and Governor of the Central Bank remained in office despite the resignation of Mbeki and a substantial proportion of his government. The relatively small size of the South African economy leaves the country's currency with a structural high volatility.

As a result of the country's restrictive fiscal policy, South Africa has reached a remarkable degree of macrostability. The government pursues a policy of macroeconomic stability. The budget deficit hovers between 2.5% and 4% (beginning of 2009). In September 2008, the government was even expecting a budget surplus, which had been the case in 2006 and 2007. The current account deficit ranged between 6% and 8% of GDP from 2006-2008 and remains one of the biggest threats to South Africa macroeconomic stability. Up to now, this deficit has largely been financed by foreign portfolio inflows, but with the retreat of many investors to "safer havens," the country has become more vulnerable. External debt increased moderately between 2007 and 2008 but remains low at an equivalent of 26.5% of GDP at the end of 2007. The relatively high degree of macrostability will be endangered if the current financial crisis continues. It remains to be seen whether a Zuma government will increase spending significantly.

Macrostability

9 | Private Property

Private property is guaranteed by the constitution and property rights are respected in general. A difficult problem for the democratic government has been the land issue. The expropriation of land and forced resettlements of approximately 3.5 million people during the apartheid era is regarded as an injustice. Therefore, the government supported a policy of redistribution guided by the principle of willing buyer-willing seller. But this could change. This principle is no longer supported by the government, which, after the tabling of the new Expropriation Bill, noted that the willing buyer-willing seller principle does not work within the South African context. The proposed bill suggests that expropriation can take place in some instances below market price, and it takes away some of the remedies that have existed to date for landowners. Widespread resistance to the bill has, however, resulted in it not being passed yet. Government's stance on the issue is nevertheless very clear. In a few cases, expropriation by legal means has already taken place.

Property rights

South African land policy follows strict legal principles and does not tolerate illegal occupations of land by landless peoples or activists from the Landless Peoples' Movement. The government provides insufficient grants for the purchase of land. Restitution is carried out by government institutions by means of a (time-consuming) case-by-case procedure. Expropriation with compensation has not been used yet, though it is theoretically possible. Although the land question is far from being resolved, it is currently not as high on the agenda as it used to be.

Private companies form the backbone of the country's economy. According to World Bank statistics (2007), it takes 22 days to start a business in South Africa compared to 47.8 days on average within the region. South Africa is ranked 35th out of 181 countries (2007) with respect to opening a business. Since 1996, privatization has been a governmental objective and many state and parastatal enterprises have been privatized despite resistance by trade unions and social movements. Given strong union resistance, the word "privatization" has rarely been used and instead use has been called "the restructuring of state assets." In 2007, the Anti-Privatization Forum, a social movement organized together with trade unions, resulted in massive protests against the privatization of water companies. Many view privatization as the reason for cut-offs and other deficits in service delivery, especially in the electricity and water sector. Due to resistance, the pace of privatization has been much slower than envisaged.

Private enterprise

10 | Welfare Regime

South Africa inherited a racially fragmented social system from the apartheid era with extreme inequality in all aspects of the social safety net. The ANC government tried to reduce the inequalities between the different population groups by shifting budget and increasing spending for social matters. Large investments were made into basic services (e.g., housing, water, sanitation, electricity) and the health system. It is estimated that, by 2008, almost 13 million South Africans received at least some form of pension or grant from government. The welfare system now carries about a quarter of the population via grants or pensions. According to recent research (2007) by Jeremy Seekings from the University of Cape Town, 3.5% of South Africa's GDP is spent on social assistance programs (pensions, child support and disability grants). This massive transfer has reduced absolute poverty but serious income gaps remain. It is difficult to give the percentage of South Africans living below the absolute poverty line (\$1 a day, in PPP) or who live with an income below \$2 a day. Different studies use different methodologies and official figures seem to be biased to a certain degree. As of mid-2008, reduced growth rates, rising unemployment and a reduction in investment might lead to an increase of poverty again.

Social safety nets

Although shortcomings are obvious, compared to other African states, the country undertakes huge efforts to cover risks for the majority of the population. The situation remains better than in most African countries, but less favorable when compared with other middle-income countries.

Due to South Africa's history of discrimination, the constitution strongly and progressively prohibits any form of discrimination on the basis of social class, religious belief or ethnic and racial identity. All groups and women theoretically have equal access to public office and higher education. South Africa has one of the highest rates worldwide of women in public office at all levels of government and administration. Despite the progressive politics, some serious obstacles to realize gender equality remain. The implementation of concrete measures for poor women living in rural areas is slow and hampered by traditional leaders and customary law. Up to now, women in traditional rural areas do not have equal access to land. The poverty rate among female-headed households is still very high (between 50-60%), unemployment is higher and the HIV/AIDS prevalence rate is higher than for males. South Africa is notorious for massive levels of violence against women. South Africa has the highest figures for rape and domestic violence among countries for which data exists. In 2003, the government introduced the Domestic Violence Act, which aims to better protect women, to educate the police on this crime and to more vigorously prosecute perpetrators. Problems with implementation are reported. The Zuma case (see "executive summary") – in which the then vice president was not found guilty after having received increasing support throughout the trial – has highlighted deficits in South Africa's gender relations.

Equal opportunity

For political reasons, equal opportunity has been manipulated so that formerly disadvantaged groups (mostly black South Africans) benefit from affirmative action measures. Such measures, especially in the public sector and BEE in the private economy, entail the risk of discrimination against other groups. The programs have been heavily criticized by white South Africans, and they often contribute to individuals' decisions to emigrate. This "positive" discrimination in favor of formerly disadvantaged groups has ideological roots and serves political interests, but it is not in line with the principle of equal opportunity. Many black South Africans argue that there is no equal opportunity because the majority of management positions are held by whites and, for this reason, affirmative action must remain a viable policy instrument.

11 | Economic Performance

During the period under review, South Africa experienced strong economic growth. GDP grew around 5% in 2007 but slowed to 3.1% in 2008. Consumer demand was still strong up to the end of 2008. According to the Economist Intelligence Unit, a combination of internal and external factors affected economic development; internal factors, such as weak household demand, higher interest rates and severe electric power shortages, and external factors such as reduced demand and falling prices for commodities, were responsible for reduced growth. The per-capita income (PPP) increased but income gaps between and within the different population groups could not be ameliorated. In addition to slowed growth, inflation increased into the double-digits. Unemployment slightly decreased from around 26% (2005) to 23% (2007), according to official statistics; other sources believe unemployment to be much higher at around 35%. One explanation for the difference may be that the official statistics do not register the number of people who have already given up looking for a job. The government will miss its proclaimed target to halve the unemployment rate by 2014. The high unemployment rate remains the Achilles' heel of the economy. The trade balance was reduced from \$7.2 billion in 2007 to \$6 billion in 2008. For 2009, a decrease GDP is anticipated which might trigger social unrest and force the government to give up its restrictive financial policy.

Output strength

12 | Sustainability

The concept of sustainability is anchored in the South African constitution (article 24). The basic legislation consists of the National Environmental Management Act (1998), which includes binding environmental concerns (among others) as a principle for planning, implementation and decision-making, especially for economic development. In reality, all decisions affecting the environment are subject to Environmental Impact Assessment (EIA) regulations. But the idea of sustainability is often not included in macroeconomic policy formulation. A much different picture arises with regard to efforts to preserve the country's natural wealth, such as South Africa's unique flora and fauna. Government efforts and privately organized game parks also reflect economic interests since tourism is increasing strongly and has proved to be an important source of foreign currency. In addition, many non-governmental organizations are actively pressuring government agencies to be aware of environmental concerns.

Environmental
policy

After 1994, it became a priority to replace the racially segmented apartheid education system with a non-discriminatory system. Furthermore, it was also necessary to improve the quality of schools and universities, especially in neglected areas such as the former homelands. Between 2002 and 2006, South Africa spent on average over 5% of its GDP on education. In 2004, this made up for 18.8% of the budget (2004), by far the largest part. Spending on education makes up the largest share of the national budget. In 2007, Finance Minister Trevor Manuel announced to spend 105 billion rand on education to expand enrollment. Due to a shortage of skilled labor, the government increased funds for institutes of higher education and adult basic education and training programs. Despite strong efforts at reform and improvement, the South African educational system still has massive deficits in quality. Dropout rates in schools and universities are extremely high. Half of the country's undergraduate students drop out without completing their degrees or diplomas. There are various reasons for this failure, ranging from a high number of unqualified or under-qualified teachers to widespread delivery and capacity problems, especially in some of the poorer provinces (such as the Eastern Cape). Many people who leave school are ill-prepared to attend the universities. In a labor market where there is an oversupply of unskilled labor and a shortage of skilled labor, the education system (primary, secondary and tertiary) is not producing the skills that the economy requires. The high number of teachers infected with HIV/AIDS has already led to a shortage of teachers and high rates of absenteeism. On the whole, the standards in many schools and some universities are much too low to meet the requirements of society and the economy. The government has recognized this and has set a stronger focus on reforms with increased spending. R&D expenditures increased to 0.92% of GDP in 2005 (most recent available data). But the number of excellent research facilities, both in the university and the private sector, is still too limited to cope with rapid technological development.

Education policy /
R&D

Transformation Management

I. Level of Difficulty

The structural constraints on governance are moderate in comparison to most sub-Saharan countries but high compared to other middle-income countries, such as Turkey or Chile. Per-capita income is high but income distribution is very unequal, leading to an extremely high GINI coefficient. The inequality is leading to social polarization in a highly visible manner.

Structural
constraints

South Africa has the advantage of a well-developed infrastructure. But the infrastructure is under stress because of increasing traffic in metropolitan areas without an adequate public transport system. Another hurdle for government is the question of electricity provision. Despite having an abundance of cheap coal for electricity production, it has run out of generation capacity due to inappropriate forward planning. This has curbed the country's growth capacity, because to expand at the levels that it needs to grow to eradicate poverty and inequality, it needs to have sufficient energy sources.

The second-class education system ("Bantu education") of the apartheid-era, half-hearted and sometimes inefficient reforms in the educational system, and the impact of the HIV/AIDS pandemic have resulted in an educational system which does not meet South Africa's requirements. The U.N. Education Index ranks South Africa at 0.806, higher than most African countries but lower than Latin American countries. In some sectors, skilled labor is difficult to find. In addition to the problems in the educational sector, major challenges are rampant crime and the high HIV/AIDS infection rate. South Africa has the highest number of infections worldwide; one out of nine South Africans has tested HIV-positive and approximately 900 people die every day.

South Africa's relatively developed economy and the decades-long struggle against apartheid have led to the formation of a strong civil society in South Africa. Civil society is stronger in urban than in rural areas. Many groups are able to formulate policy alternatives and articulate their views through the media.

Civil society
traditions

The legacy of apartheid has left South Africa polarized along the lines of skin color. The racial cleavages overlap with social divisions. The standard of living for most white South Africans is higher than the standard of living for the non-white groups. But since the emergence of a black middle and upper class, social cleavages are changing, although this has not resulted in a different perception among South Africans. The Mandela and Mbeki governments have actively tried to overcome these deep-rooted conflicts since 1994. Welfare policy, the ideological project of the rainbow nation and many symbolic gestures were all aimed at reducing tensions. The political mobilization of Jacob Zuma and his supporters reactivated divisive images, such as the glorification of armed struggle. But in some respects, former President Mbeki was much more divisive than Zuma because he seemed to be obsessed with questions of race and identity.

Conflict intensity

II. Management Performance

14 | Steering Capability

The government is committed to the goals of a socially-oriented market economy, representative democracy and an active welfare policy. The Accelerated and Shared Growth Initiative for South Africa (ASGISA) is the centerpiece of the country's reform strategy. ASGISA, which came into effect in February 2006, formulates a wide range of ambitious goals, among them an average economic growth rate of 4.5% up to 2009 and 6% up to 2014, to halve the size of the sector of the population which is still excluded from the modern sector into the formal economy. Deputy President Phumzile Mlambo-Ngcuka, who resigned together with Mbeki in September 2008, was responsible for ASGISA. The current strategy focuses to a large extent on measures for improving infrastructure.

Prioritization

It is not so much the lack of funding that hampers ambitious reform programs, but rather implementation problems associated with insufficient capacities. The lack of skilled administrators with managerial capacity, overpaid but unmotivated officials (sometimes a result of hastily implemented affirmative action measures or patronage politics) and cumbersome bureaucratic procedures clash with overambitious aims. Implementation of government policy on the local and regional levels is even weaker. Therefore, the performance of some local and provincial administrative bodies is weak and leads to sporadic outbreaks of social protests against unsatisfactory service delivery.

Implementation

An example of the limited capacities of the administration and policy planning in general was the sometimes chaotic cooperation with the African Peer Review Mechanism (APRM) review team. According to the APRM's survey, published in May 2007, the time frame for the review, including debates and interviews with stakeholders, was too narrow and the organization proved to be poor in some phases of the review. The South African government rejected the report in 2008 and argued that the review team did not recognize the country's unique history.

The outbreak of massive violence against foreign workers, migrants and refugees took the government by surprise. This has largely been the result of weak control of the South African borders and a Department of Home Affairs that has done a poor job of fulfilling its mandate to ordinary South Africans. The country's intelligence agencies failed to anticipate this wave of xenophobic violence, and it took the police several days to get on top of the situation. Much of the mediation and normalization of communities in the wake of the violence should be credited to the private sector and non-profit organizations.

In general, the political leadership is willing to learn from past errors, with the exception of HIV/AIDS. According to research published by Harvard University in November 2008, 365,000 South Africans have died because of lack of treatment. One of the major mistakes of the Mbeki government was not to take up energetic measures against the pandemic. On his first day in office, the interim president removed highly controversial Minister of Health Manto Tshabalala-Msimang, who, despite public outrage, had served for nine years in this position. The new Minister of Health, Barbara Hogan, is much more engaged in fighting the pandemic. The ANC's overwhelming majority in parliament and general dominance in society has dampened the willingness to learn because the ANC was not afraid of a change in government. Government officials often react in an acerbic and arrogant manner to internal and external critique.

Policy learning

15 | Resource Efficiency

The South African government makes mostly efficient use of the available resources. Macro-indicators such as budget deficit, state debt, and government consumption, which constitutes a steady 20% of GDP, suggest a restrictive fiscal policy. The budget share for salaries in the public sector is lower than in most African countries, but nevertheless remains high. Public service behavior only occasionally demonstrates a waste of resources, but there are deficits in carrying out and implementing policies due to red tape and lack of capacity and skills. Increasing levels of corruption within the public service and particularly at the local government level are, however, growing concerns. The tax system is efficient. The

Efficient use of assets

government failed to use the country's human resources as a result of its reluctance to fight HIV/AIDS more energetically. The most severe restriction with respect to the efficient use of assets resulted in continuing electric power cut-offs. The electricity crisis, which resulted from a failed and ill-conceived energy policy, has led to production stops and losses in industry and services to such an extent that the growth rate is negatively affected.

The government is able to prioritize its reforms against political resistance. The president successfully coordinates the government's policy. In the Mbeki government, the presidency was organizationally strengthened and the government became more centralized. The government was largely successful in maintaining its autonomy. Although COSATU has a strong influence on labor laws, the unions were largely unable to influence the government's conservative macroeconomic policy.

Policy
coordination

Since the ANC has an overwhelming majority both on the national level and in most of the provinces (except in the Western Cape and in Gauteng), the government's aims are generally translated directly into political action. Up to September 2008, the ANC managed to successfully maintain party cohesion despite the existence of many factions. The "broad church" character of the ANC cracked when Mbeki supporters left the party and formed COPE. The divisions within the ANC could negatively impact policy coherence.

During the period under review, corruption has increased but has not yet reached the dangerous level seen in many other African countries. Corruption is not so much a problem in everyday life ("petty corruption") as it is in the higher ranks of the political and administrative elites. The number of cases where leading ANC politicians abused their office is increasing, but only some cases are prosecuted adequately, although integrity mechanisms with a dense legal framework and prosecuting agencies are in place. The ANC may lack awareness of the fact that state and party have to be separate. The failure of strong progressive integrity mechanisms and continuing high-level corruption is problematic, because it sets a dangerous example for the country's political culture. The Zuma case has undoubtedly affected the respect for the rule of law.

Anti-corruption
policy

16 | Consensus-Building

There is a broad consensus on democratic governance and market economy among all sectors of the political elites. There is notable disagreement on the extent of state intervention and the necessity of social policy between, on the one hand, left-wing factions of the ANC, COSATU and the SACP, and business and the centrist faction of the ANC on the other. The tradition of multi-stakeholder meetings in the form of roundtables or joint institutions such as NEDLAC mitigates the level of conflict.

Consensus on goals

There are no anti-democratic actors in South Africa. The military has a professional, non-political ethos. Radical left- and right-wing groups do not play any significant role or have been subsumed into the political system and society in general.

Anti-democratic
veto actors

The South African government uses a wide range of actions and programs to overcome deeply rooted and interconnected racial and social cleavages. The two most important dimensions, each covering a plethora of single measures, are social policy and national building efforts. Redistribution efforts motivated by constitutional prerogatives, such as budget shifts, affirmative action and BBBEE, are an important instrument for the prevention of possible conflicts. The culture of reconciliation, projects such as the African renaissance, the promotion of the “ubuntu” principle and sports events are aimed at creating a sense of collective identity among South Africans. Although the government has successfully managed to prevent the outbreak of large-scale open violence, the society is still polarized among class and racial lines. There is a danger that the aggressive rhetoric of Zuma supporters could reinforce the dividing lines within the South African society. While open conflict challenging South African development model and political stability does not exist, crime and antisocial behavior indicate widespread social deprivation and the disappearance of social order in some communities. The xenophobic violence of March 2008, which costs the lives of dozens of immigrants, demonstrates a new dividing line.

Cleavage /
conflict
management

Civil society plays an important role in South Africa. Those groups that are close to the ANC, such as COSATU, even have direct access to the government and administration because many leaders are simultaneously members of the ANC or are employed in the administration. Apart from these organizations, the relations between government and civil society remain ambivalent. Sometimes, the government takes the interests of civil society groups into account, in particular with regard to development issues. But in many cases, civil society positions are ignored, such as in the Zimbabwe crisis or with respect to HIV/AIDS. Regarding the latter issue, the Treatment Action Campaign (TAC) fought a battle with the government to forge a more assertive policy on HIV/AIDS. Finally, a decision by the Constitutional Court, initiated by the TAC, forced the government to modify its policy and to allow anti-retroviral medication. The TAC and other social movements are largely ignored by the government and perceived as a threat to government policy.

Civil society
participation

The centerpiece of South Africans efforts to reconcile a deeply divided society is the Truth and Reconciliation Commission (TRC). Between 1995 and 1998, the TRC investigated the injustices of the apartheid system and human rights violations by the liberation movements up to 1990. One principle of the TRC is that perpetrators who are willing to fully disclose their deeds and ask victims’ relatives for forgiveness could be granted amnesty. Other principles were the openness and

Reconciliation

transparency of the Commission's work and compensation for victims. The TRC, chaired by former archbishop Desmond Tutu, was criticized, in particular by white South Africans but also by the ANC. Despite some organizational and technical deficits, the main problem lies in the fact that the period of time from 1990 to 1994 has been excluded from investigations, although tens of thousands of South Africans lost their lives during this time in conflicts between different political camps of the black population. Despite its shortcomings, the TRC has become a model for many other countries.

17 | International Cooperation

As an upper-middle income country according to the classification of the Development Assistance Committee (DAC) of the OECD, South Africa is eligible for ODA. Compared to most African countries, South Africa is in a privileged position, since it is not dependent on foreign aid. The fact that an EU-South African free trade agreement was established illustrates the strong position of South Africa. Despite its high socioeconomic development status, the country received only \$15.5 per capita in 2005, compared to \$65 per capita in Mozambique. The government uses aid for the development of the country. Donors focus on anti-HIV/AIDS measures (to compensate for government passivity), poverty reduction, educational and capacity building. External advice was welcomed in most fields with the notable exception of HIV/AIDS. South Africa is a self-confident partner in development cooperation.

Effective use of support

South Africa is widely perceived as one of the rare success stories of the wave of democratization processes begun 20 years ago. Most Western governments view South Africa as a cornerstone for achieving peace and stability on the continent. The country is a driving force and one of the main sponsors of regional and continent-wide integration. Both the Mandela and the Mbeki governments were involved in a number of initiatives for conflict resolution (DRC, Ivory Coast) or participated in peace-keeping missions (as in Burundi). Despite its high credibility, Western countries repeatedly criticized South Africa's reluctance to address the HIV/AIDS pandemic, high crime rates and the outbreak of xenophobic violence against immigrants in March 2008. Furthermore, the country's human rights policy lost credibility due to its passivity towards the gross human rights violation by the Mugabe regime in Zimbabwe and its peculiar voting behavior, together with China and Russia, in the United Nations Security Council, which has blocked action against dictators and juntas.

Credibility

South Africa is an influential and active member of continent-wide (AU) and regional institutions, such as the Southern Africa Development Cooperation (SADC). Due to its economic power, it is the engine behind the South African Customs Union (SACU). South African business expanded its activities during the

Regional cooperation

last decade. Aggressive corporate investment by South African business is sometimes criticized by governments and NGOs. The country is perceived as a regional hegemonic power. This and Mbeki's claim for leadership in Africa is challenged by neighboring states, especially by Zimbabwe.

Together with some other countries, in particular Nigeria, South Africa is widely regarded as representing Africa in the international context. The president has become a regular guest at the annual G-8 summits of the heads of state and governments. It also plays an important role within the U.N. system in north-south relations. For many, South Africa is a candidate for an expanded U.N. Security Council.

Strategic Outlook

On 22 April 2009, South Africans elected the new national parliament and the nine provincial parliaments. The ANC clearly won the fourth democratic elections with 65.9% of the vote, but the party received nearly 4% less votes than in the last elections and missed the two-third majority of parliamentary seats that is necessary for constitutional changes. The Democratic Alliance (DA) improved its share of the total vote from 12.3% in 2004 to 16.6% in 2009 and became the strongest opposition party. The DA was also victorious in the Western Cape province, and party leader Helen Zille will become prime minister of the Western Cape. With the exception of Kwa Zulu Natal, the ANC won clear majorities in all other seven provinces. COPE received only 7.4% of the vote. Many analysts attribute this low share to strategic mistakes during the campaign but also point to the limited voter base (urban middle classes) as a reason for the defeat. It remains to be seen whether COPE can pose a challenge to the ANC or whether COPE will be reintegrated into the ANC. The party has also suffered from infighting and was unable to agree on a more charismatic candidate for president. The smaller parties, including the Inkatha Freedom Party (IFP), which gained votes only in Kwa Zulu Natal, lost ground and are at risk of becoming irrelevant. The degree of political mobilization was remarkable as voter turnout increased slightly to 77.3%. In contrast to some opposition parties (IFP, Independent Democrats or ID), the ANC succeeded in mobilizing voters and poorer South Africans in particular voted for the party in spite of its unkept promises to increase the standards of living.

With the elections and the South African parliament's clear vote for Zuma as president, the succession crisis is over and the country's political paralysis in the wake of Thabo Mbeki's resignation has come to an end.

The court case against Zuma has been dropped completely by the National Prosecution Authority (NPA) due to procedural errors. It will be seen whether the political pressure on the judiciary will continue. A pre-election decision by the interim president to set convicted fraudster Schabir Shaik on medical parole led to a fierce controversial debate. Shaik was released from his prison sentence of 15 years after only 28 months in prison due to his precarious health. Within this context, the Zuma presidency can also be regarded as a test for the rule of law in South Africa.

The main question is whether a government led by Zuma will continue with the overall direction of South Africa's economic and political course. This report argues that there are no major changes to be expected. This judgment is based on two reasons. First, Zuma does not have a strong ideological left-wing or trade union background; additionally, he has little formal education, is not ideologically motivated and therefore should not be expected to promote a radical shift towards more state intervention. During the last few months, Zuma assured the business community of his pro-market orientation. His political orientation can be described as populist and pragmatist. Zuma's strong support from the SACP and COSATU could result in the

extension of social politics and a less restrictive fiscal policy. The current financial crisis is also setting every future government under pressure to stimulate the economy and compensate for job losses. There will be strong pressure to expand support to marginalized citizens. The new cabinet reflects pragmatism and the will to accommodate different interests. In this context, it was particularly remarkable that the leader of the right wing Afrikaner Party Freedom Front Plus, Pieter Mulder, was named deputy minister for agriculture. But more importantly, Trevor Manuel, the former successful finance minister who is regarded as a guarantor for the country's financial and economy stability, received a new portfolio in the government. He will lead the new National Planning Commission, which will be responsible for strategic planning and coordination among government departments. On the one hand, this can be interpreted as even greater influence for Manuel. But on the other hand, other members of the Commission are from the left and there is a need for consensus. Second, South Africa's leverage in economic policy is limited by international events. The economy is deeply integrated into the world economy and a policy reversal would be penalized by international markets and investors. The sharp decline of the JSE stock exchange after Mbeki's announcement to resign was a clear indicator and a warning.

A new government could have significant consequences for the country's foreign policy. It is possible that the new president will focus more on domestic issues than trying to continue Mbeki's attempts to be "Africa's savior." Therefore, the political developments in South Africa are significant for the future of the African integration process, because the country has been the motor for regional and continent-wide integration.

One of the major challenges for the country is the 2010 World Cup, which will be hosted by South Africa. South Africa's, and probably even Africa's, prestige and reputation depend on the smooth and peaceful organization of this mega-event.