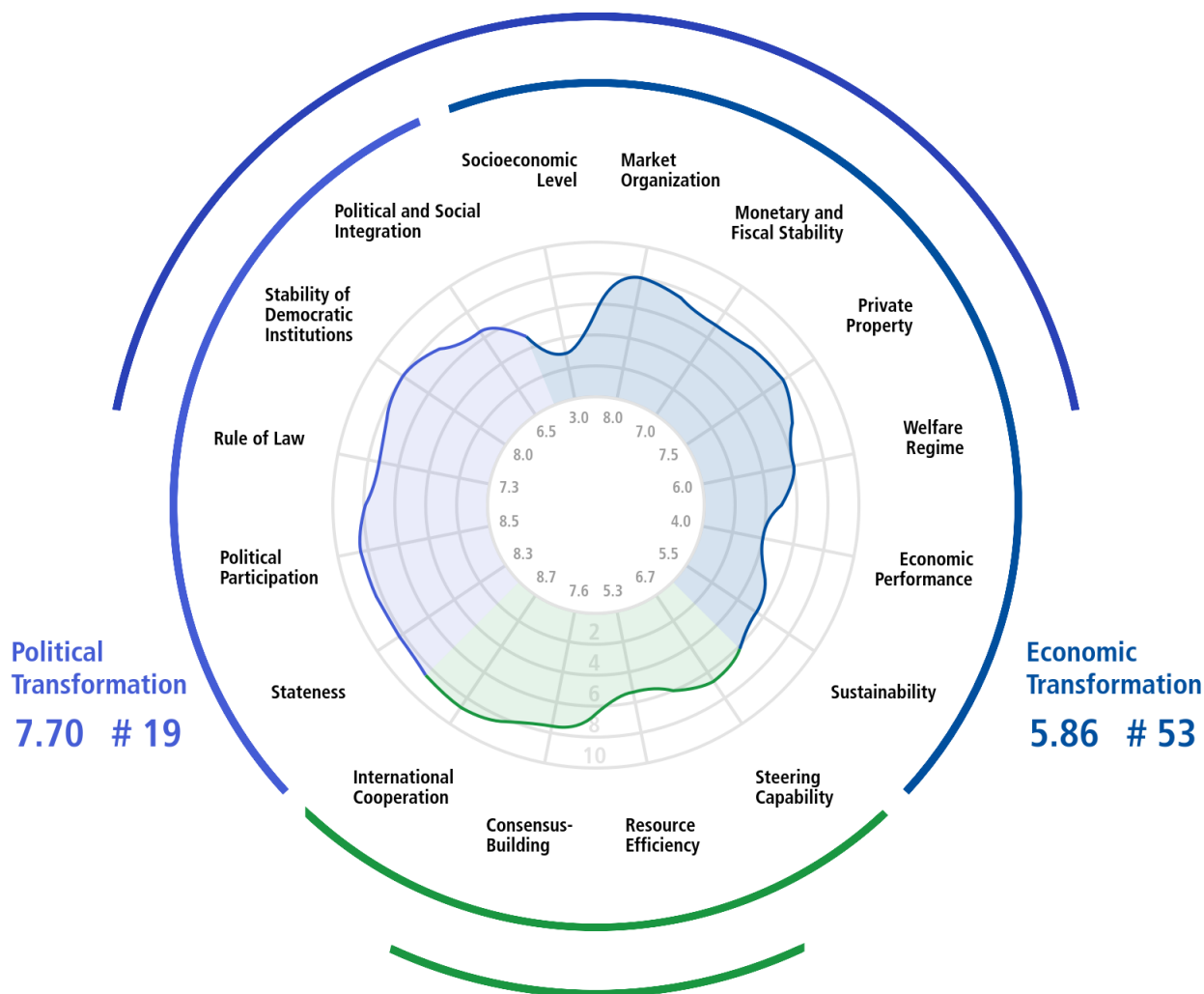


South Africa

Status Index

6.78 # 25

on 1-10 scale out of 137



Political Transformation
7.70 # 19

Economic Transformation
5.86 # 53

Governance Index

6.10 # 23

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2022 Country Report – South Africa. Gütersloh: Bertelsmann Stiftung, 2022.

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Key Indicators

Population	M	59.3	HDI	0.709	GDP p.c., PPP \$	12096
Pop. growth ¹	% p.a.	1.3	HDI rank of 189	114	Gini Index	63.0
Life expectancy	years	64.1	UN Education Index	0.724	Poverty ³	% 37.3
Urban population	%	67.4	Gender inequality ²	0.406	Aid per capita \$	16.6

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Between 2019 and 2021, South Africa underwent political changes and reforms to the civil service, and experienced disappointing levels of socioeconomic development.

From the institutional side, the party system is also likely to undergo reform in the next few years. In 2020, the Constitutional Court ruled that a section of the Electoral Act that prohibits independent candidates from contesting elections without a partisan affiliation was unconstitutional and ordered parliament to amend the legislation to allow for independent candidates in the next two years. Electoral experts have conducted reviews and proposed alternatives to comply with the Constitutional Court's critique of the present legislation, but it remains to be seen what reforms will be proposed and accepted by parliament. Although it is unlikely that this amendment to the law will have any significant consequence for party politics or elections in South Africa, it is nevertheless a positive sign in a young democracy that there are possibilities to reform legislation to ensure equal opportunities to seek political office. The COVID-19 pandemic is the defining feature of this period, as it caused a colossal shock to the country's economy, health care system and society as a whole.

South Africa has been devastated by the pandemic. By January 2021, more than one million cases of COVID-19 have been confirmed⁷; millions more people have lost their livelihoods, and tens of thousands have succumbed to the disease. The real number of COVID-19 related deaths is likely to be much higher, as more than 100,000 excess deaths were recorded in 2020, many of them attributable to COVID-19. South Africa has a high prevalence of tuberculosis, diabetes and HIV. COVID-19 placed an additional burden on the health care system. To limit the spread of the virus, South Africa pro-actively introduced a strict national lockdown, including an evening curfew, limiting the sale of particular goods and banning alcohol sales to conserve hospital capacity. As of January 2021, South Africa had yet to begin vaccinating against COVID-19, although efforts are underway to procure vaccines.

The 2019 elections confirmed public support for the incumbent President Cyril Ramaphosa, who was inaugurated in 2018 after former President Jacob Zuma resigned prematurely. Zuma's early removal from office was caused by Ramaphosa's election as president of the governing African National Congress (ANC) party in 2017 and growing public dissatisfaction with his involvement in corruption allegations. Although most voters continued their support of the dominant ANC, which won its sixth successive free and fair election, the ANC's majority declined from 62% in 2014 to 58% in 2019. The ANC's vote share has declined in successive elections since its peak of 70% in 2004, as citizens have become increasingly frustrated at state corruption and the slow pace of socioeconomic development. The main opposition party, the liberal Democratic Alliance (DA), experienced its first decline in vote share, winning 22%, and the left-wing Economic Freedom Fighters (EFF) confirmed their status as the third-largest party, with 10%.

Exceptionally high levels of unemployment and inequality characterize South Africa's economy, while poverty remains widespread. The economy is marked by the legacies of apartheid and racial discrimination, with black South Africans most likely to be poor and unemployed and white South Africans experiencing low levels of poverty and unemployment. Women are also more likely to be unemployed and poor than men. Income inequality is among the highest in the world, according to the World Bank. The pandemic, combined with the strict national lockdown, has exacerbated deprivation, with the unemployment rate surging to 32% by December 2020 and millions applying for social assistance grants from the state.

South Africa's democracy has had strong and credible institutions for a significant period, since the end of apartheid. However, much of their capacity and credibility had been eroded in the course of the rule of the Zuma administration. Under Ramaphosa, there are efforts to improve corrupt aspects of the state, but the recovery process may take many years to remedy amidst massive fiscal constraints in the wake of the COVID-19 pandemic. The economy is in dire straits, with national debt spiraling due to increased state spending and financial mismanagement at state-owned enterprises, and economic growth has been slow and exclusive. Inequality is an impediment to inclusive growth and a more cohesive society. The COVID-19 pandemic has deepened the existing, self-induced economic crisis, and recovery will take many years.

History and Characteristics of Transformation

The Union of South Africa was inaugurated in 1910 as a pact between British settlers and Afrikaner political elites. The Union amalgamated the British colonial territories of the Cape and Natal Provinces with Boer republics of the Orange Free State and Transvaal. Black or "native" South Africans were largely excluded from political rights and the Union continued many of the racially exclusionary policies of colonialism. Apartheid, the system of legislated segregation and separate development, was introduced when the conservative Afrikaner party, the National Party (NP), won the 1948 elections. In 1961, South Africa became a republic after its ousting from the British Commonwealth. In 1994, South Africa held its first democratic elections, where all adult citizens from all race groups were entitled to vote as equals. Throughout the 20th century, black,

colored and Indian South Africans have been subjected to casual and institutional racism, suffering the effects of job reservations, forced removals, and inequalities in education designed to systematically under-develop the vast majority of the population.

Democracy was brought about through a combination of influences. As the NP government resorted to increasingly violent means of suppressing dissent, South Africa became increasingly isolated in global politics. Sympathy and support for the ANC, the largest pro-democracy movement in South Africa, grew since the 1950s; the movement launched an armed resistance wing in 1959 to force the government to enter democratic negotiations. In exile, the ANC gathered support for international boycotts of South Africa, leaving the government increasingly isolated and suffering economic sanctions. The structure of the apartheid economy was also highly unstable. The collapse of the Soviet Union prompted a shift among South Africa's international benefactors, as it was no longer necessary to support an unpopular pro-capitalist bulwark when the threat of communism was receding in Africa. Domestic politics during the 1980s nearly succeeded in making areas of the country ungovernable. The declining strength of authoritarian government combined with the ANC's inability to overthrow the NP meant that a negotiated settlement was the most advantageous option for both parties. The transition to democracy occurred throughout the 1990s, soon after Nelson Mandela's release from prison; Mandela was elected as the first democratic president in April 1994. The ANC has won each successive nation election.

The NP had begun liberalizing some aspects of the economy in the 1980s, but the process accelerated in the 1990s. Despite the ANC's ties to socialism as a liberation movement, in the negotiations and in government, the party accepted a market economy and the need to liberalize the economy. International trade flourished in the 1990s as sanctions were lifted, and South Africa lifted many of the protections on certain industries to encourage greater commerce and investment. The ANC was elected on the promise of redistribution and development, and the state provided social housing, new schools, improved social assistance and better access to services. Economic growth in the early 2000s was roughly 5% annually, but levels of unemployment did not lower sufficiently. The bifurcated nature of the economy results in economic gains accruing primarily to the elite, while the vast majority do not experience substantial improvement.

Many features of South Africa's economy are rooted in its history of racial segregation. Levels of unemployment and poverty remain high primarily because the black majority does not have equal access to the services and resources available to white South Africans. The post-apartheid government has not sufficiently attempted to remedy this disparity and initiatives like Broad-based Black Economic Empowerment (BBBEE), a series of affirmative action policies, have only benefited a small minority of black South Africans. The structure of the economy remains exclusionary, although racial exclusion is being replaced by class-based exclusion.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

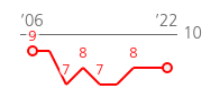
South Africa is a recognized sovereign state, with little to no external threats to its legitimacy. The ongoing conflict and turbulence in neighboring Mozambique present some cause for concern, but the insurgency remains limited to that country's northern region, some distance away from the southern border to South Africa. Although violent crime is prevalent throughout the country, the state ultimately has a monopoly on the use of force. There is no credible threat of secessionist conflict, despite the history of separatist conflict during the transition to democracy in the 1990s. Political violence is uncommon, although conflict is more prevalent in KwaZulu Natal province, especially around elections. The local government elections, which tend to be more competitive than national parliamentary elections, could trigger increased political conflict in late-2021.

South African citizens are entitled to a series of legal, political and socioeconomic rights under the constitution. In theory, all citizens are therefore entitled to tangible resources and services, such as housing, social assistance, or clean water, and the state is obliged to provide these entitlements to all South Africans. In practice, there is a disconnect between South Africans' rights, particularly socioeconomic rights, and the state's ability to fulfill them. However, all South Africans are equal under the law, and discrimination based on gender, race, ethnicity or disability is outlawed. Most South Africans view the state as the legitimate authority. Access to citizenship or residence rights remains an obstacle that many foreign nationals, especially from African countries, fail to overcome. Refugees and migrants from the Continent are often undocumented, which undermines the state's ability to monitor or support all residents.

Question
Score

Monopoly on the
use of force

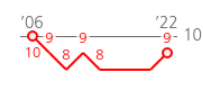
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1

State identity

9



1

Many South Africans report that they are religious, but the state is secular. Religion plays little to no role in the functioning of the state. Recently, however, the chief justice of the Constitutional Court, the highest judicial authority, courted controversy for claiming that Christians are not encouraged to practice their faith in public. This was an isolated incident and has little bearing on the secular functioning of the judiciary. The vast majority of the population is of the Christian faith and church groups are therefore well-attended. Due to the popularity of various churches, political leaders often attempt to leverage their influence among church groups and church leaders, particularly around elections and periods of crisis, when church leaders can reach large audiences. There are relatively small, yet visible, populations of Muslim, Hindu and Jewish people. Religious minorities do not face substantial discrimination, are represented in parliament and many of the holy days are commemorated in the media and by the state.

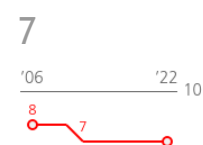
No interference of religious dogmas



1

The state's bureaucratic authority spans the length and breadth of the country, but the quality of its administrative capacity is uneven and has deteriorated recently. Although the state has substantially improved its provision of basic services and administration over the last three decades to incorporate previously excluded citizens, recent years have seen an increase in instances of corruption, mismanagement and malfunction in key state entities, particularly state-owned enterprises. The national energy provider, Eskom, which supplies roughly 95% of all electricity in the country, has been implicated in several corruption scandals over the last decade, with its debt ballooning to hundreds of billions of rand. As a consequence of Eskom's mismanagement and deterioration, the power utility has re-introduced scheduled electricity blackouts, known as "load-shedding"; 2020 was the year with the most blackouts since 2008. Other state-owned enterprises, such as the national rail agency and the national airline, are also in financial turmoil due to corruption and mismanagement. In other areas, such as the provision of social assistance and taxation, the state's bureaucracy needs to improve. This is especially true for the South African Revenue Service (SARS), which had been deliberately neglected during Zuma's presidency. It is estimated that it loses huge amounts of tax revenues due to non-collection, corruption or lack of prosecution.

Basic administration



1

Since Cyril Ramaphosa's election as president in 2018, several commissions of inquiry and parliamentary committees have been established to record the extent of corruption within the state, the most notable being the Judicial Commission of Inquiry into Allegations of State Capture, chaired by former constitutional court judge Raymond Zondo. The commission has been hearing testimony from a variety of individuals who were either implicated in corruption or who had knowledge of malfeasance. While the commission is a necessary entity to uncover in great detail the extent of corruption within the state, it has also laid bare how deeply implicated private interests are in the decision-making and functioning of the state. The Gupta brothers, naturalized South Africans from India who had close ties to senior political

figures including former President Jacob Zuma, are the most notable example of state capture by private business interests. The scale of financial corruption within state entities directly impinges on the state's effective administration.

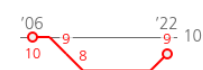
2 | Political Participation

South Africa has been described as a democratic dominant party state, with the ANC winning all six national elections with healthy majorities since the first democratic poll in 1994. The ANC's electoral majority peaked in 2004 at 70% of the vote and has steadily decreased since then, with the party winning only 58% in the 2019 elections, its lowest ever vote share. Elections are generally regarded as free and fair, as there are clear rules for participation, parties are allowed to oversee the tallying of results, and the Electoral Commission of South Africa (IEC) is seen as an independent and effective authority. In 2019, however, several smaller parties, many of which did not accrue sufficient votes to enter parliament, disputed the accuracy of the results, alleging voter fraud and voter roll inconsistencies. The basis of these claims was spurious, but the IEC endeavored to investigate the allegations, conducting a survey along with the national statistics agency that proved that there were almost no instances of double voting. After the IEC's investigation, the aggrieved parties did not contest the IEC's findings and the results of the election are widely regarded as accurate. The independence and integrity of the IEC was reaffirmed by the manner in which it responded to accusations of improper procedure. In the 2019 national elections, the ANC garnered 58% of eligible votes, followed by the liberal Democratic Alliance (DA) with 21%, and the left-wing Economic Freedom Fighters (EFF) with 11%. While the ANC's vote share has steadily declined, the DA's rise in popularity was halted by a decrease in vote share for the first time in its history and the EFF cemented its position as the third-largest party in parliament. One of the major concerns arising from the 2019 elections was the decreasing voter turnout, as only 66% of registered voters cast their ballots compared to 74% in 2014. Aside from registered voters choosing to stay away, data from the IEC suggests that millions of South Africans, particularly among the large young adult demographic, are not registered on the voters' roll and therefore ineligible to vote. Taking these non-voters into the calculation, the voter turnout only reached 49%. Media outlets are granted access to the IEC's headquarters during the vote tallying process and the major political parties are given opportunities to canvas voters, proportionate to their size. Media coverage of the ANC, given its sizable majority and its status as the incumbent party, tends to overshadow analysis of opposition parties.

In 2021 the new Political Party Funding Act came into force. The purpose of the act is to make political party financing more transparent. Donations that exceed the amount of ZAR 100,000 must be declared publicly. Foreign donors are prohibited from providing any funds except for the purposes of training. Some representatives

Free and fair elections

9



1

of opposition parties claimed that the new law will hinder private donors from supporting opposition parties, because of fears about disadvantages and other negative repercussions.

In South Africa's democratic history, the state has always had the authority and legitimacy to draft and implement legislation without the influence of unelected actors. The interests of labor unions, the private sector, civil society and traditional leaders influence the legislature, but ultimately, democratically elected representatives are responsible for governance. No individual, except for the elected president of the republic, holds the power to veto proposed legislation, although the constitutional court provides legal guidance.

However, the effective power of elected representatives to govern has recently improved. During the second term of former president Zuma, which ended prematurely in early 2018, the Gupta brothers, influential businessmen from India, and their associates exercised undue influence over the executive. Although the full extent of their influence is still unknown, several former and current cabinet members have testified at the State Capture Commission that the Guptas attempted, in part successfully, to allocate ministerial portfolios to particular officials who could then be manipulated to facilitate lucrative deals between state-owned entities and their businesses. Since Ramaphosa assumed the presidency in March 2018, the Guptas have fled the country and their assets have been seized; the National Prosecuting Authority (NPA) has attempted to extradite them, and many of their business associates have been charged with corruption. Elected representatives now have substantially more power to govern without the overt influence from private interests.

South Africans' freedom of assembly is guaranteed in the democratic constitution under sections 17 and 18. The former ensures the right to assembly, to demonstrate, picket and petition, peacefully and unarmed. Given South Africa's history of mass organizing and powerful organized labor unions, peaceful protests are widespread across the country. Most of these take the form of organized labor demonstrations and the vast majority are peaceful protests. In 2019, several large protests against high levels of gender-based violence occurred in cities across the country. Although the right to assembly is enshrined in the constitution, demonstrations can lead to conflict, either because demonstrators have resorted to provoking law enforcement or because police have decided to disperse the protest to restore public order. Some protests, particularly around issues of service delivery or land occupation, do result in injury and property damage. COVID-19 regulations have limited the frequency and size of organized gatherings.

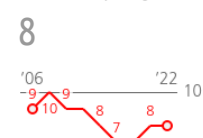
Section 18 of the constitution protects the right to freedom of association, which ensures that everyone has the right to freedom of association. Individuals are free to create or join almost any kind of organization, whether political party, interest group, or civil society organization. This constitutional provision has been used particularly by workers without the protection of an organized labor union, particularly part-time

Effective power to govern



1

Association / assembly rights



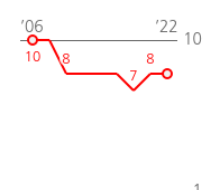
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and seasonal workers who face precarious working conditions. Recent litigation has provided impetus for domestic workers, many of whom are poorly paid and work part-time, to unionize and demand improved working conditions and many other benefits provided to other workers. In political terms, freedom of association has allowed a proliferation of political parties, many of which remain inactive between election cycles, and provided greater electoral choice for voters.

Section 16 of the constitution states that everyone has the right to freedom of expression including freedom of the press, freedom to receive or impart information, freedom of artistic creativity and academic freedom. Importantly, freedom of expression in South Africa is not absolute and the right does not extend to propaganda for war, incitement of violence or advocacy of hatred. These rights have facilitated a free and politically independent media landscape, where journalists are able to question and criticize political leaders without fear of sanction or reprisal. The South African Broadcasting Corporation (SABC), the national radio and television broadcaster, has recently overcome isolated instances of political interference, but falling revenues have meant that it and other media outlets have had to drastically reduce their staff.

Freedom of expression

8

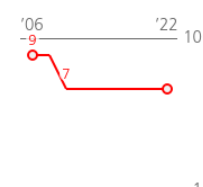


3 | Rule of Law

The South African state is divided into three relatively independent spheres of government: the legislature, judiciary and executive. There is a relatively clear separation of powers between each sphere, although the dominant nature of the ANC in the legislature and the executive is dramatically diminishing the independence of these two spheres. Almost every time, members of parliament follow voting instructions of the party headquarters, which are mostly in line with the executive. Since the mandate belongs to the political party and not the members of parliament, the MPs of the governing party do not dare to control the executive effectively. In recent years, particularly when evidence emerged of improper executive authority under former president Zuma, the legislature has failed to hold the executive to account and the judiciary has too often become involved in reminding the legislature to exercise its right and responsibility to provide oversight over the executive.

Separation of powers

7



Legislative power resides with parliament, which consists of an upper and lower house, namely the National Council of Provinces (NCOP) and the National Assembly (NA). South Africa uses a proportional representation system to elect the 400 members of the legislature from party-lists for the NA. There are 90 provincial delegates to the NCOP, with each of the nine provinces represented by 10 delegates. The remaining 10 delegates to the NCOP are nominated by the South African Local Government Association; they participate in the debate but do not hold voting rights. With the establishment of the sixth democratic parliament after the 2019 national elections, 58% of the NA were ANC members and eight out of the nine provinces

were governed by the ANC; only the Western Cape is governed by an opposition party, the DA. Most legislation is adopted by the legislature on the basis of a simple majority of votes, but constitutional amendments, such as the 2018 proposal to amend section 25 of the constitution, require two-thirds of the votes in the NA.

During the COVID-19 pandemic, the executive has often bypassed the legislature to institute new regulations under the disaster management act, in the interests of acting quickly to prevent the spread of the coronavirus. For most of 2020, South Africa was in a state of disaster, which has allowed the executive to introduce extraordinary restrictions on many aspects of society, without the need for legislative approval. Although parliament has met to debate new regulations, the ANC's numerical dominance and the close association between the legislature and the executive has meant that extraordinary restrictions are frequently approved by the legislature. The judiciary has acted as an arbiter between complainants against strict coronavirus-related regulations, either representing business interests affected by restrictions, political parties opposed to new legislation or private interest groups, and the state, but for the most part, the courts have abided by the government's reasoning and not attempted to interfere in aspects of governance.

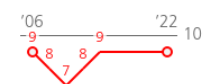
Despite factionalism within the ANC and the sometimes tenuous relationship between the legislature and the executive, the judiciary remains highly effective and independent. On several occasions over the last few years, the courts, particularly the constitutional court, have ruled against the government, particularly on issues of parliamentary oversight. The judiciary is responsible for ensuring that the legislature fulfills its constitutional duty to provide checks and balances on the power of the executive and to ensure that any new legislation that is introduced passes constitutional muster. Importantly, the judiciary has refrained from attempting to introduce policies itself.

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

Since the last period under review, the judiciary also has acted swiftly and independently to highlight the shortcomings of the current Public Protector, Busisiwe Mkhwebane. The Office of the Public Protector is an independent institution of the state set up with the intention of protecting and defending the constitution. Mkhwebane's predecessor, Thuli Madonsela, was notable for her willingness to investigate unconstitutional behavior on the part of former president Zuma,

Independent
judiciary

9



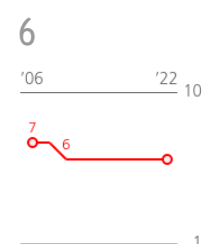
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particularly the exorbitant costs of upgrading his private residence. Although a cross-party parliamentary committee approved her appointment, Mkhwebane has clashed with the courts in her interpretation of the powers of her office and her ability to gather evidence. On several occasions, the judiciary has expressed concern about Mkhwebane's motivations and competence, particularly relating to her insistence on investigating Ramaphosa's ANC election campaign. That the courts have been willing to sanction Mkhwebane, despite the broad recognition that her office and position is crucial for democracy, is a testament to their independence.

For more than a decade, the NPA has been largely unwilling and unable to pursue the arrest of office holders for abuse of power, despite substantial evidence in the public domain. The NPA was widely seen as ineffective and too close to factions within the state to act against office abuse. Since 2019, however, there has been a marked improvement in the prosecution of those who have abused public office. Ramaphosa's election in 2018 and the electoral mandate provided by the ANC's victory in the 2019 elections have led to greater capacitation of the NPA. Personnel changes at the senior levels of the NPA have led to renewed efforts to apprehend office abusers and regain public finance that had been improperly diverted to private interests, although their efforts have been hampered by budget reductions. In 2019, Shamila Batohi, an advocate with extensive experience as a prosecutor, was appointed National Director of Public Prosecutions. Batohi's appointment marked a substantial improvement in the credibility and capacity of the NPA, which was previously led by politically compromised individuals.

Although the NPA has worked slowly and methodically, 2020 ended with several notable instances of prosecutorial independence. Linked to many of the ongoing revelations of corruption and financial mismanagement at the State Capture Commission, the NPA initiated charges of corruption and fraud against a senior ANC member of parliament, Vincent Smith, relating to alleged bribes and home upgrades he solicited from Bosasa, a now disgraced security company with close links to the ANC. In another instance of the NPA's newfound capacity to pursue political leaders, Ace Magashule, former premier of the Free State province and current secretary-general of the ANC, was charged with more than 70 counts of fraud, corruption and money-laundering relating to receiving payments from companies that had benefited from provincial contracts. Magashule is awaiting trial and has refused to step down as the internal head of the governing party. Although there are many other instances of individuals profiting from public office, at a local, provincial and national level, it is a testament to the renewal of the NPA that both a sitting member of parliament and the ANC's most senior party official could both be awaiting trial for corruption. Despite some initial signs of improvement, it will take many years for the legitimacy, integrity and independence of the NPA to be restored.

Prosecution of office abuse



South Africa's constitution is widely regarded as among the most progressive in the world and much of this reverence concerns the constitutional protections of civil and socioeconomic rights. The country has essentially de-racialized much of the apartheid-era legislation and affirmative action policies, such as Broad-Based Black Economic Empowerment (BBBEE), to address the historical imbalances within the economy and society. BBBEE, which also acknowledges gender disparities in employment and seniority, has been an ineffective policy to address the widening class distinctions in society and only a minority of South Africans have benefited. Poor and less educated South Africans, disproportionately black, have not reaped the rewards of BBBEE.

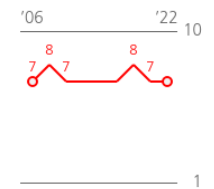
Although all South Africans are nominally equal under the law, discrimination on the basis of race, gender, ability, nationality and sexual orientation is still widespread. South Africa remains a socially conservative and patriarchal state and this manifests in exceptionally high levels of gender-based violence and rape.

To address instances of discrimination, Chapter 9 of the constitution made provision for the creation of independent institutions to safeguard civil rights, including: the South African Human Rights Commission (SAHRC), the Public Protector, the Commission for Gender Equality and the Auditor-General. The SAHRC is responsible for the Equality Courts, which specialize in individual or collective cases of discrimination and civil rights abuses, while the Public Protector is largely responsible for providing legal oversight on national democracy. The Commission for Gender Equality is perhaps the least prominent of these institutions, while the Auditor-General's investigations into financial management have provided crucial evidence of the scale of misappropriation, particularly at a municipal level. Chapter 9 institutions are important for dealing with civil rights violations, although their performance is uneven, but legal protections for civil rights are insufficient in a country marked by stark inequalities and a violent past. Under the COVID-19 lockdown, citizens' rights to movement and trade were curtailed, but several legal challenges to the regulations have been dismissed, as the regulations are ostensible to protect society during the pandemic.

Although South African citizens are granted extensive civil rights, in too many cases these rights are not sufficiently respected. This is especially true for basic rights like the right to access to water or electricity, education or physical integrity. In cases of civil rights abuses, there are few possibilities to achieve justice. Demanding justice through the legal way at courts is one of the rare alternatives, but it is extremely expensive.

Civil rights

7



4 | Stability of Democratic Institutions

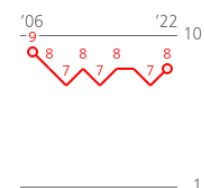
At all levels of government, South Africa's democracy is broadly representative, using a combination of party-list proportional representation (PR) at national and provincial levels and a mixed system for local government. PR was instituted to avoid some areas of the country being dominated by regional or linguistic interest groups and to promote a more cohesive and unifying national political process. After the first democratic elections, it soon became clear that PR, especially the party-list system, would encourage representatives to become more beholden to their parties than to the public. Because the party decides which members become representatives in the legislature, citizens only determine how many representatives each party has, not which representatives are elected. The dominance of the ANC has meant that many MPs have had to toe the party line in order to secure their personal careers, despite their personal convictions.

The PR System does not unfold its strength, which is the inclusion of different political parties to form consensus in parliament. The ANC majority in the National Assembly and in most provincial and local governments causes a lack of legislative control and a dependence from the MPS of the party leadership, which is mostly part of the executive.

The ANC's declining majority in the legislature and the consequent rise in representation among the opposition has resulted in a wider plurality of parties represented in parliament and, in some exceptional instances, forced the ANC to work more closely with the opposition. The electoral commission, the IEC, is almost completely independent of political influence and is widely regarded as an impartial and credible election authority. In 2021, South Africa is scheduled to hold its local government elections, as prescribed by the constitutional five-year terms of local authorities. However, with the restrictions on public gatherings and electoral campaigning that might be necessitated by COVID-19 restrictions, both the ANC and the EFF have suggested that the local government elections are deferred and merged with the 2024 elections. Despite the endorsement of the governing party, the IEC has rejected this proposal as it would be both unconstitutional to extend the terms of incumbent local authorities and it would alter the nature of the 2024 elections. The IEC, a crucial institution for South Africa's democratic stability, is able to act independently and protect the democratic process from political influence.

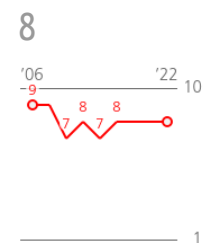
Performance of democratic institutions

8



South Africa is widely regarded as one of the most successful democracies in Africa, but citizens' satisfaction with democracy has recently been in decline. Declining voter turnout at national elections is also indicative of an increasingly dissatisfied polity. Instead of voting for an opposition party to bring political change, many voters, especially among the youth, have preferred to not participate in the elections at all. Despite increasing public criticism about the state of South Africa's democracy, most citizens, civil society organizations and the private sector consider democratic institutions and processes to be legitimate. Ramaphosa's election appears to have buoyed public support in state institutions. The 2019 South African Reconciliation Barometer, a nationally representative public opinion survey on issues of social cohesion and governance, showed a marked increase in public confidence across all institutions between 2017 and 2019. Although levels of public trust in institutions are still low, the improvement between 2017 and 2019 can be seen as an indication that trust in democratic institutions can be rebuilt.

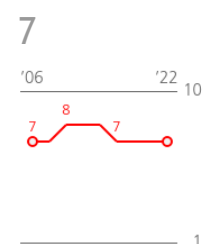
Commitment to democratic institutions



5 | Political and Social Integration

Political parties are institutionalized and highly organized. While the ANC has dominated national politics and achieved comfortable majorities in each national election, the last decade has seen the emergence of two notable opposition parties, namely the center-right DA, which controls the Western Cape province and won 21% of the national vote in 2019, and the populist left-wing EFF, which increased its national share of votes from 6% to 10% in the last two elections and is now the main opposition party in several provinces. The DA's rise has been driven by dissatisfaction with the ANC, primarily around corruption and poor services, among urban residents in the major cities, while the EFF has outflanked the ANC on issues of radical economic change, courting the interest of younger black and primarily male voters. The 2019 elections were also notable for the increase in votes to smaller opposition parties, demonstrating voters' dissatisfaction with the major parties, including from the opposition.

Party system



The biggest challenge of the political parties remains to attract the increasing amount of non-voters. Taking registered and non-registered voters into account, the voter turnout is only 49%. The most prominent reasons are dissatisfaction with the political parties in general and lack of confidence that any different voting behavior might outnumber the ANC in parliament. Political parties are not very deeply rooted in civil society, with some exceptions like the relationship between trade unions and the ANC. Moreover, many civil society organizations prefer an antagonistic relationship with political parties.

The South African government typically consults and coordinates with a broad range of interest groups in society. Non-governmental organizations, academics, labor unions and business groups are often involved in policy discussions or influencing governance processes. The National Economic Development and Labour Council (NEDLAC), involving stakeholders from organized labor and the private sector, is the main example of the government's many consultative processes, where policies are discussed and debated by various interest groups. The influence and relative power of civil society interest groups have diminished over time, particularly the role of labor unions due to internal disagreements among trade union federations. Under Ramaphosa, a former trade unionist himself, the government has increased its consultations with interest groups, particularly from the private sector.

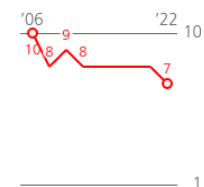
With the onset of the COVID-19 pandemic and with the need for the government to act decisively to curb the spread of the virus, the government has tended to act more unilaterally than it otherwise would. Several industries were severely affected by South Africa's strict national lockdown, notably the hospitality, alcohol and tobacco industries, as opportunities for these businesses to trade were either severely limited or simply banned. Lobbying efforts from affected sectors have been substantial and the government has tended to maintain lines of consultation, despite maintaining certain trading restrictions.

South Africans' satisfaction with democracy has waned over time. Public opinion data from the 2018 Afrobarometer survey, a nationally representative survey on issues of governance and democracy in many African countries, suggests that there are more South Africans who are dissatisfied than satisfied with the state of their democracy. Citizens' frustrations with democracy could be linked to the rampant corruption, the slow pace of economic growth and the lack of socioeconomic development over the last decade. The same Afrobarometer survey noted that a majority of respondents would be willing to forego democratic ideals and institutions, such as regular elections to determine political representatives, if an unelected leader could guarantee greater job prospects, better services and reduced crime. South Africans likely view the value of democracy as linked to their own socioeconomic circumstances and the lack of economic development, particularly among low-income households, is perceived to be a weakness of democracy. Without a substantial improvement in the material circumstances and job opportunities for most South Africans, the public's dissatisfaction with democracy is growing.

In addition, the low voter turnout indicates dissatisfaction not only with political parties, but also with the inefficiency of the state institutions. Often citizens link existing problems and challenges to "democracy" and therefore are scapegoating the whole system, when they actually mean the poor performance of the ANC-government and the mediocrity of the opposition parties.

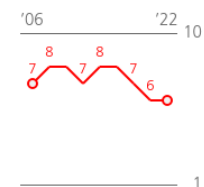
Interest groups

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Approval of democracy

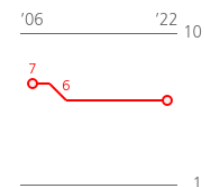
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South African society remains deeply divided along lines of race, class and gender due to its historical legacies of structural inequality and the failures of post-apartheid governance to diminish these inequalities. Despite these divisions, the country also has a long history of self-organization and collective action and these traditions remain strong today. Labor unions have large memberships, some civil society organizations have numerous active members and community organizations are common across the country. Many of these organizations are limited to particular groups of individuals and very few organizations can claim a truly national identity. Public opinion data from the 2019 South African Reconciliation Barometer shows that most South Africans believe the country still needs reconciliation and many believe that inequality is the greatest division in society. The Barometer suggests that inequalities between South Africans prevent inter-racial interaction, for example, and lead to a lack of trust in individuals from different backgrounds. The COVID-19 pandemic would have only exacerbated the limited interaction among South Africans, especially between various groups in society.

Social capital

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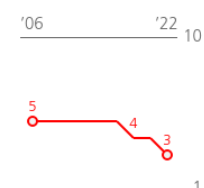
II. Economic Transformation

6 | Level of Socioeconomic Development

Socioeconomic exclusion is widespread in South Africa. The country suffers from a triple challenge in the economy: high levels of unemployment, poverty and inequality. Many economic problems are a legacy of apartheid, which systematically excluded the black majority from decent or skilled work opportunities. But the post-apartheid government has also failed to protect existing jobs and promote sufficient new employment opportunities. Economic growth was stable during the 2000s, but the last decade has seen consistently low levels of GDP growth, especially compared to other middle-income countries.

Question
ScoreSocioeconomic
barriers

3



Poverty is measured according to three related income poverty lines, namely the Food Poverty Line (FPL), the level of income needed to meet minimal nutritional needs; the Lower-bound Poverty Line (LBPL), the amount needed to afford basic nutritional and some non-food expenses; and the Upper-bound Poverty Line (UBPL), the income level required to cover basic food and non-food expenditure. According to the national statistics agency, Statistics South Africa, the poverty headcount, using the most common UBPL, decreased from 66.6% in 2006 to 53.2% in 2011. While this downward trend in the share of the population living below the UBPL was positive, the poverty headcount increased to 55.5% in 2015. Poverty remains widespread in South Africa and levels of poverty are racialized and gendered. Poverty among white South Africans, who benefited most from apartheid, is very low, while black South

Africans, who suffered most under apartheid, are most likely to be poor. Poverty is also consistently higher among women than men. Although the data is imperfect, the COVID-19 pandemic is likely to have exacerbated high levels of poverty due to losses in income and retrenchments, with many more households experiencing food poverty.

Levels of unemployment in South Africa are among the highest in the world. In a sense, the exclusionary nature of the South African economy shifted from race-based exclusion under apartheid to class-based exclusion under democracy. The COVID-19 pandemic caused significant job losses in 2020, with an estimated 2.8 million jobs lost between the second and third quarters of the financial year. The Quarterly Labor Force Survey, conducted by Statistics South Africa, recorded the national unemployment rate for the fourth quarter of 2020 at 32.5% of the labor force, a substantial increase from 23.2% when the survey was first conducted in the first quarter of 2008. This unemployment figure is considered to be the narrow definition, only recording those who have actively sought work in the past six months. The expanded rate of unemployment, including discouraged job seekers, stood at 42.6% of the labor force for the final quarter of 2020. Finding employment is the most likely means to overcome poverty, but levels of unemployment are exceptionally high in South Africa, especially for young people, and it is likely that levels of poverty will remain high until more jobs are available.

In 2018, the World Bank noted that South Africa is among the most unequal countries in the world. The Gini coefficient, a ratio of inequality between 0 and 1 representing a perfectly equal and unequal society respectively, is 0.65, the highest in the world. Much of South Africa's present-day inequality in income and wealth is historically rooted in the country's colonial and apartheid past, but nearly three decades into democracy, there has been an insufficient redistribution of unequal accumulation of wealth and efforts to promote income-generating opportunities for the economically excluded majority have been underwhelming. Income inequality is driven by the disparities between the employed – especially skilled workers – and the unemployed, who make up an increasingly large share of the labor market. Inequality presents an obstacle to social cohesion, as identified in the South African Reconciliation Barometer, and prolongs and promotes socioeconomic exclusion. Unlike levels of poverty or unemployment, the racial dynamics of inequality are more mixed. The highest-earning income bracket was previously almost entirely made up of white people, but now includes an increasing share of black South Africans. The lowest-earning income brackets are still almost entirely populated by black people. It remains to be seen what effect the COVID-19 pandemic has had on inequality, but the severity of job losses and consequent rise in poverty means it is likely that the economy might be even more unequal.

South Africa's economy is no longer structurally constrained by race, but the legacies of apartheid are still prevalent. The post-apartheid state has reformed several aspects of the labor market, but the economy remains exclusionary not by race but by class.

An individual's level of education is the best predictor of future income and the vast majority of children do not finish their secondary schooling, let alone complete tertiary education. Although there are more black graduates each year, they are still a demographic minority and white and Indian people are over-represented in skilled, well-remunerated jobs. There has been insufficient support for the poorest people to realize their equal rights and opportunities to participate in the labor market along with wealthier groups.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	349554.1	368288.9	351431.6	301923.6
GDP growth	%	1.4	0.8	0.2	-7.0
Inflation (CPI)	%	5.2	4.5	4.1	3.2
Unemployment	%	27.0	26.9	28.5	28.7
Foreign direct investment	% of GDP	0.6	1.5	1.5	-
Export growth	%	-0.7	2.6	-2.5	-10.3
Import growth	%	1.0	3.3	-0.5	-16.6
Current account balance	\$ M	-8912.9	-13384.0	-10666.8	6711.1
Public debt	% of GDP	48.6	51.6	56.3	69.4
External debt	\$ M	174920.8	174094.0	185357.0	170766.6
Total debt service	\$ M	14667.7	28055.9	22924.6	28719.7
Net lending/borrowing	% of GDP	-5.1	-6.7	-5.8	-
Tax revenue	% of GDP	26.2	26.5	26.7	-
Government consumption	% of GDP	20.8	21.3	21.3	22.6
Public education spending	% of GDP	6.1	6.2	6.5	6.8
Public health spending	% of GDP	4.4	4.5	-	-
R&D expenditure	% of GDP	0.8	-	-	-
Military expenditure	% of GDP	1.0	1.0	1.0	1.1

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The South African economy operates on the principle of a liberal market-based economy. Legislation and institutions are designed to encourage, facilitate and regulate firms and businesses' participation in trade. In particular, several pieces of legislation are designed to uplift and empower black-owned businesses to create a more level playing field and address historical exclusions.

In 2020, the World Bank's Ease of Doing Business report, which ranks 190 countries according to regulations that enhance business activity, claimed there has been a slight improvement in market competition between 2019 and 2020, particularly regarding reforms that enforce contracts surrounding commercial disputes. The 2020 report ranks South Africa at 84 out of the 190 countries in terms of the ease of doing business. South Africa compares rather badly with other countries on the length of time it takes to open a business, but favorably on cost. Compared to the last decade of the report when in 2008 it was ranked at 35 in the world in 2011, South Africa continues to slip down the ranks. Business operations and market competition is compromised by the return of scheduled electricity blackouts, the difficulties faced by new businesses, and the high costs involved in cross-border trade. The newly instituted African Continental Free Trade Agreement could spur increased trade regionally, but this will take several years to materialize. COVID-19 restrictions have also limited many industries' ability to trade and many firms have downsized or closed.

Another challenge is to liberalize markets, where big state-owned enterprises (SOE) have a dominant, sometimes monopolistic position. This is especially true in the electricity sector, but also in transportation for instance. SOEs are often heavily subsidized and yet they cannot benefit the public good.

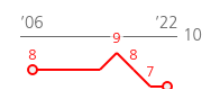
Furthermore, in some sectors a few companies are dividing the market among themselves, making it very difficult for new companies to enter the market. Examples are big retailers, insurances or the financial sector.

The national statistics agency estimates that there are roughly three million people working in the informal sector, although this figure is likely highly variable.

Due to the unequal structure of the economy inherited from apartheid, the private sector has been dominated by a small number of conglomerates. In certain industries, such as telecommunications, either one company benefits or a few companies benefit from monopolizing the market, which often results in higher prices for consumers but larger profits for shareholders. The employment make-up of the private sector remains unrepresentative of broader South African society, as many positions within companies, especially at a management level, are held by white men, who constitute a privileged minority in the labor market. Over the last two decades, pressures from

Market
organization

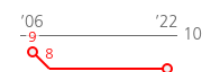
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Competition policy

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market liberalization and the legislative imperative to include more black South Africans have resulted in a more competitive and less monopolistic economy. The Johannesburg Stock Exchange lists many companies, based in South Africa and overseas, but there are still substantial barriers for small and medium enterprises to grow their business and benefit from the BBBEE legislation, such as access to credit and capital investment.

The competition commission is a statutory body with the capacity to investigate, control and evaluate restrictive business practices and exists to help bring about a more equitable and efficient economy. The commission acts as both a watchdog to prevent monopolistic practices and an investigator that highlights unfair trading. It has been effective at preventing price fixing for certain goods, where companies collude to exploit consumers, and these investigations are then passed onto the legislature or the judiciary for review and reform. Although there are still inequalities in the private sector, monopolies are much less common, there is greater competition among businesses, and the competition commission is a reasonably effective institution that enforces fairer competition policies.

Another obstacle to competition is big state-owned enterprises (SOEs), which are heavily subsidized, although they have a monopolistic or almost monopolistic market position.

Liberalization of foreign trade expanded rapidly during South Africa's democratic transition in the 1990s. Following periods of international isolation and sanction, South Africa rejoined several international organizations and trading bodies after 1994. The economy is heavily reliant on international trade for access to many goods. Tariffs on imported goods have decreased substantially over the last two decades and South Africa is a net exporter in certain industries, such as some agricultural produce.

South Africa has actively pursued the development of international trading blocs, such as the BRICS (Brazil, Russia, India, China, South Africa) group. These countries are united by their developing country status, their status as regional economic powerhouses and a shared desire to promote economic development between countries of the Global South. Although BRICS has not altered the dominance of international financial institutions based in Western Europe or North America, it is a testament to South Africa's ambition to engage in foreign trade on a more equal basis with larger economies. However, the most important trading partners remain China, Germany, the UK, the United States and Japan. South Africa is the most important trading partner of the European Union in Africa. At the beginning of 2021, the African Continental Free Trade Agreement (AfCFTA) came into effect, creating the largest free trade area in the world, measured in territorial size. South Africa was at the forefront of the implementation of the AfCFTA and the first commissioner is a South African. The AfCFTA is still in its infancy and it remains to be seen how effective it will be, but it has opened the doors for even greater foreign trade for South Africa and lowered the barriers for regional trade.

Liberalization of foreign trade

8



1

Financial and banking services are relatively sophisticated and closely aligned to international trends. Private banks and financial services providers cater to consumers with variable financial means and needs, all of which are closely regulated by the Financial Sector Conduct Authority. Older financial institutions still dominate the market, but several new banks have opened over the last decade and almost all banks have offered a digital service. International banks operate and have local branches in the major financial centers. The central bank, the South African Reserve Bank (SARB), is tasked with maintaining and enhancing financial stability.

The COVID-19 crisis presented a significant shock to the financial sector and the economic recession has reversed many of the last decade's gains. In 2017, non-performing loans accounted for just 2.8% of all bank loans, but this rose to 3.9% in 2019. Data from the SARB suggests that non-performing loans accounted for roughly 5% of all loans by the end of 2020. The ratio of bank assets to capital, however, has continued its upward trajectory from 5.7% in 2008 to 8.5% in 2019, although the effects of the pandemic have yet to be quantified.

8 | Monetary and fiscal stability

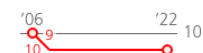
The South African Reserve Bank (SARB) is responsible for determining monetary policy and its primary mandate is to ensure price stability to facilitate sustainable economic growth. The SARB's primary instrument to regulate monetary policy is the repurchase rate, which is the rate at which the bank lends to commercial banks. Consumers typically feel changes to this rate, as interest rates from commercial banks reflect changes from the SARB. Consumer price inflation (CPI) has been heavily affected by the economic shock of the COVID-19 pandemic and in January 2021, CPI was 3.2% according to Statistics South Africa, much lower than previous years. The repurchase rate has also been significantly lowered to 3.5% in 2021, when it was typically over 5% prior to 2020. Interest rates have been cut to provide economic relief to consumers and debtors.

The SARB has had to adjust to several years of sluggish economic growth and monetary policy alone is insufficient to address many of the structural defects in the broader economy. Prior to the pandemic, the SARB was reluctant to reduce interest rates in an effort to boost growth, as the efficiency of such a move was not guaranteed but the inflationary risks were better known. The South African rand remains an extremely volatile currency and it has lost substantial value to the U.S. dollar, the euro and the British pound over the last decade. Despite recent changes to monetary policy, the SARB has taken these decisions in light of the extraordinary shock of the pandemic and guided by experiences in other countries, without political influence.

SARB has an excellent international reputation as a central bank, thanks to the possibility to operate independently. Discussions about the nationalization of SARB must be observed closely, because it could open the doors for ending its independence as well.

Banking system

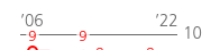
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Monetary stability

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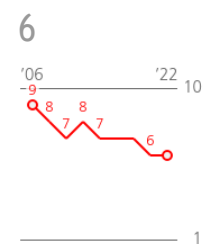
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South Africa's fiscal stability has steadily deteriorated over the last decade and the COVID-19 pandemic has accelerated economic decline. Structural weaknesses in the economy, namely high levels of inequality, unemployment and poverty, impede the potential for inclusive economic growth and the state's financial mismanagement of costly state-owned enterprises limits fiscal space for investment in developmental programs. Eskom, the state's energy producer, has been in financial distress for several years, with its debt of nearly 500 billion rand causing tremendous strain on the national budget. Due to Eskom's monopoly on energy provision and limited opportunity for privatization of the energy market, the state has provided guarantees to many of its loans to ensure its survival. The cost of Eskom's debt, caused by years of mismanagement and rampant corruption, is absorbed by the fiscus. Other state-owned enterprises, such as South African Airways and Denel, an arms manufacturer, are also heavily indebted. International credit rating agencies have been increasingly critical of economic performance and South Africa is considered to be sub-investment grade. Debt-servicing costs now account for the fastest-growing line item in the national budget and account for over 20% of gross tax revenue. By the end of 2020, the debt-to-GDP ratio, exacerbated by the economic shock of the pandemic, stood at over 80% and the budget deficit accounted for nearly 15% of GDP. Tax revenue shortfalls have occurred for several consecutive years, accounting for over 300 billion rand.

Since 2020, Finance Minister Tito Mboweni has outlined in his budget speeches that the national treasury will minimize state spending by cutting back on the public wage bill. Civil servants and state employees have seen above-inflation increases for several consecutive years at a significant cost to the national budget. By reducing the public sector wage bill, Mboweni is attempting to rein in state spending to reduce the likelihood of a debt default. It is unclear what effects the reduction in the public sector wages will have on key sectors, such as the two largest government departments – education and health – where many employees are not high-income earners but play a crucial role in providing care and socioeconomic development. As South Africa's population grows and as the country attempts to manage the long-lasting effects of the pandemic, critics of Mboweni have argued against reducing the number of teachers and nurses.

Fiscal space is severely limited. The state has had to commit to additional spending on social welfare to mitigate the depth of poverty caused by the pandemic, while also committing to spending cuts in the future to limit a debt spiral. The tax base is extremely small, while social welfare payments have expanded rapidly over the last decade. Eskom continues to be both an inefficient power provider and a substantial burden on the national budget. South Africa spends a significant proportion of its national tax collection paying off debts accrued over the last few years, limiting the potential for increasing spending on socioeconomic development or employment-creating initiatives.

Fiscal stability



9 | Private Property

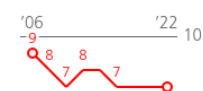
Section 25 of South Africa's constitution enshrines the legal protection of private property. Due to a history of dispossession and forced home removals under apartheid and colonialism, the right to private property aims to preserve property rights and protect vulnerable households whose tenure may be insecure. The constitution states that no one may be deprived of property except in terms of law of general application and no law may permit arbitrary deprivation of property.

Rights to property have recently come under scrutiny, particularly regarding whether the state may expropriate land in order to redistribute it to land claimants or upgrade citizens' tenure. In 2018, parliament passed a motion to potentially amend section 25 of the constitution to make it clear when the state could be given powers to expropriate land or property without compensation. Both the ANC and the EFF supported this motion and this legislative development caused some concern among investors. Although a parliamentary committee was established to investigate whether the property clause should be amended, land experts and scholars have argued that the state already possesses the ability to expropriate property without compensation. This power has almost never been used. The constitution states that expropriation can take place if the compensation is just and equitable, although a court has never outlined what might constitute just and equitable compensation. There are many instances of land that could be expropriated without compensation without infringing on private property rights, such as unused land that the state owns.

The parliamentary committee concluded that section 25 should be amended to make the law more explicit as to when the state can expropriate without compensation and potentially accelerate land redistribution. Several experts have argued that the ANC is using the constitution as a scapegoat for its dismal record on land redistribution, where thousands of applications from land claimants who were removed from their property under apartheid have yet to be adequately compensated. The failure to redistribute land is more a consequence of insufficient funding for the relevant department and bureaucratic incompetence than any legal barrier. The judiciary will also provide input on what is the appropriate legal framework for expropriation. Private property is highly unlikely to be targeted for redistribution, especially property that is being utilized, despite some of the claims from the DA and conservative civil society groups.

Property rights

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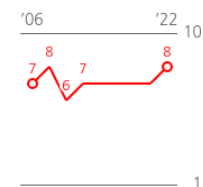


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The private sector plays a fundamental role in the economy, as the largest employer, a significant source of tax revenue and a provider of essential goods and services. Although state-owned enterprises in South Africa are well-funded entities, many of them face healthy market competition from private sector business that provide similar services in those areas where SOEs do not have a monopolistic position. This has facilitated greater consumer choice, competition for services and cheaper costs for users. The private sector is recognized by the state and society as an important site of economic growth and the state has sought to introduce more funding for small- and medium-sized enterprises, particularly under Ramaphosa's tenure. Despite the greater emphasis on small business, there are still too many barriers, both financial and bureaucratic, for small businesses to flourish. Large corporations tend to dominate the private sector and many entrepreneurs and small business owners struggle with administrative complexity and insufficient state support. The World Bank's Ease of Doing Business report for 2020 shows that South Africa has not substantially improved its regulatory environment to stimulate private sector growth.

Private enterprise

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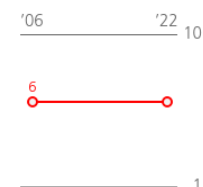


10 | Welfare Regime

South Africa has an extensive social protection system, combining social assistance, subsidized prices on commodities and free services. Section 27 of the constitution protects socioeconomic rights to health care, food, shelter and social security. Social assistance payments, mostly in the form of cash transfers, constitute the largest form of social protection, with more than 17 million people receiving a cash transfer from the state in 2019: nearly one in three people. Cash transfers are funded through general taxation and are distributed by the department for social development and the South African Social Security Agency (SASSA), while the national treasury allocates the budget for social protection and determines the value of increases. Cash transfers are targeted and means-tested to reach low-income recipients who have limited earning capacity, such as children, older persons and those with disabilities. Due to the targeted nature of social assistance, citizens who are 18-60 years old have little recourse to social assistance.

Social safety nets

6



The state has expanded the number of fee-free schools over the last decade to ease the financial burden of children on caregivers and to ensure that school attendance is near universal. The Unemployment Insurance Fund (UIF) is a contributory fund for unemployed people to claim support after retrenchment and the amount available is based on previous compulsory contributions. Economists and the national treasury have noted that the expansion of cash transfers over the last two decades, combined with state subsidies on basic services, has helped reduce the depth of poverty and slightly reduced inequality. These social protection policies are expensive to maintain, especially as poverty is widespread and millions are therefore eligible for state assistance.

In 2020, to limit the economic shock of the pandemic, the state introduced a new cash transfer, the Social Relief of Distress (SRD) grant, and temporarily increased the value of existing cash transfers. Political parties and development specialists welcomed this decision, as it would quickly provide additional income to the poor. The UIF would also avail itself to providing greater relief to workers who had lost their jobs or parts of their income, or who were forced to reduce their hours. The SRD would be available to unemployed people who do not receive any other cash transfer, targeting those previously excluded from other transfers. Emergency reforms to social assistance have come at a substantial cost to the national budget and there are concerns over their sustainability. As of February 2021, the state has extended the SRD several times, while there have been no increases to other grants. More than seven million SRD grants have been paid out since their introduction in April 2020.

Social safety nets in South Africa are therefore extensive and institutionalized. Although the state plays a significant role in providing social assistance to millions of recipients, the expansion in social protection is one of the main developmental successes in South Africa, as it has prevented greater poverty, reduced inequality and provided much-needed protection to poor and vulnerable households.

The social safety net is under threat in the long run due to the increasing government debt. Already now the number of recipients is about three times as much as the number of tax contributors.

All South Africans are formally equal under the law and legislated exclusion is outlawed. In practice, many aspects of society and the economy are highly exclusionary due to the historical legacies of apartheid and segregation. Black South Africans, especially women, are vastly under-represented in the economy, despite constituting a majority of the population. Conversely, white South Africans are over-represented and tend to occupy many of the senior positions, especially in the private sector. Those under the age of 35 also face significant barriers to entering the labor market.

Race, gender and class continue to have a significant influence on the structure of South Africa's economy and, in turn, society as a whole. Explicit legislative inequality is nonexistent and instances of overt discrimination can be prosecuted, but the country has been unable to overcome the inequalities of the past. The post-apartheid government has been unable, and at times unwilling, to sufficiently reform the economy and empower previously excluded demographics from realizing equal opportunities.

Equal opportunity

6



11 | Economic Performance

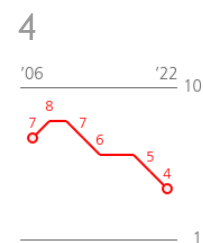
South Africa's economic performance has been disappointing over the last decade. Levels of annual GDP growth have been 1-2% each year for several consecutive years, only once exceeding 3% annual growth. Compared to other middle-income countries, which have seen annual GDP growth of almost 5%, or other emerging markets in Africa, economic growth in South Africa has been relatively poor. The country entered a technical recession in March 2020 with two consecutive quarters of GDP decline, coinciding with the detection of the first cases of COVID-19. Slow economic growth is attributable to a combination of financial mismanagement and corruption within the state, particularly under former president Zuma, as well as high levels of poverty, unemployment and inequality, which limit the potential for economic growth. The National Development Plan (NDP), inaugurated in 2012, outlined national objectives for the year 2030, including halving levels of unemployment, eliminating food poverty and increasing economic growth. With less than a decade left to achieve the NDP's economic goals, it appears increasingly unlikely that South Africa will meet its own targets, even discounting the pandemic.

Future prospects for growth are also not promising, as the national debt-to-GDP ratio continues to increase and the pandemic has sent shockwaves throughout the economy. The South African Revenue Service (SARS) has recorded several years of tax shortfalls, yet the state is committed to vast sums of social spending. The national treasury predicts GDP growth of 3.3% in 2021, but this comes after a 7.2% decline in GDP in 2020. It will take many years for South Africa to recover from the shock of the pandemic, but even a return to a pre-COVID economy will still be insufficient to promote job-creation and reduce inequalities and poverty.

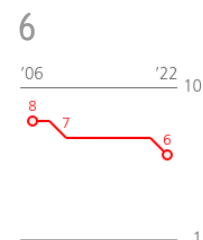
12 | Sustainability

Developing countries, typically those that are historically least responsible for carbon emissions, must ensure that future economic growth is achieved in a sustainable fashion. South Africa is one of the largest carbon emitters in the world, disproportionate to the size of its economy, and its emissions trajectory is considered highly insufficient to meet its national and international carbon pledges. The primary reason for disproportionately high levels of carbon emissions is the country's reliance on coal for electricity generation and commodity trade. South Africa is one of the largest coal producers in the world and roughly 90% of electricity is produced from coal power, with nearly 80% of emissions coming from energy supply. The national power utility, Eskom, has been using coal power for several decades, but it has been reluctant to transition to more sustainable and renewable forms of energy provision. South Africa's extensive mining industry produces large quantities of coal used by Eskom and, in turn, Eskom provides the substantial energy needs of mines to operate. The centralized nature of energy provision, with Eskom dominating the market, has limited energy market competition and the feasibility of renewable energy.

Output strength



Environmental policy

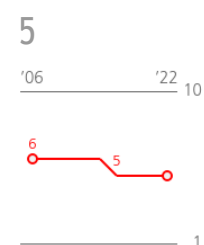


A roadmap for future energy provision, the Integrated Resource Plan (IRP), was adopted in 2019; it envisions a decline in the use of coal power. While the revised IRP was welcomed by energy analysts for its acceptance of renewable energy, it was also criticized for still incorporating coal power in the next decade. Coal power is becoming more expensive than renewable forms of energy and the environmental destruction it causes is having direct health consequences. Though South Africa's constitution guarantees the right to a clean environment, Eskom and mines are almost always exempt from any consequences for their emissions and carbon taxes are minimal. As the need for a sustainable and just transition to renewable energy becomes increasingly urgent, coal power nevertheless remains the dominant form of energy for South Africa.

The National Department of Basic Education, responsible for primary and secondary schooling, is the government department that consistently receives the largest allocation of the national budget. School attendance in South Africa is compulsory until the tenth grade, leading to near-universal attendance among this cohort of learners. Many pupils leave school after the tenth grade and do not complete secondary school, either to avoid the costs of further education, to seek work, or care for families. The provision of education facilities and the enrollment of learners have increased substantially over the last two decades, but the quality of education and school facilities remain highly uneven. For the 2020 cohort, of 100 children that started school in 2008, only 58 took the final matriculation exam; 44 passed their exams, and only 21 achieved the required grades to be eligible to attend university. Increases in school attendance are a major success, but the quality of education remains poor, with children from wealthier households disproportionately outperforming children from poorer households. Most South African children do not receive sufficient educational services.

Due to the small proportion of learners who are eligible to enroll in tertiary education, combined with the prohibitive costs of higher education, graduates tend to reflect a relatively elite demographic, which in turn reinforces inequalities in the labor market. According to Statistics South Africa's General Household Survey for 2020, only 15% of people over the age of 20 had some post-school education – a low figure – yet a substantial improvement from just 9% in 2002. The Department of Higher Education and training is responsible for tertiary education and has recently been allocated larger budgets to cover the costs of student fees for students from low-income households. Findings from the National Survey of Research and Experimental Development for 2018/19, released by the Human Sciences Research Council (HSRC) in 2021, show that gross expenditure on research and development (R&D) for this period decreased from 2017/18 by 8.6%, after seven consecutive years of growth. R&D as a share of GDP stood at just 0.75% in 2018/19, a 0.8% reduction from 2017/18 and below the international benchmark of 1%.

Education policy /
R&D



Governance

I. Level of Difficulty

The South African government grapples with significant structural constraints on governance. The historical legacies of racialized forms of poverty, inequality and unemployment have hindered the inclusivity of economic growth and highlighted the need for redistributive social programs. Human development is limited by the inability to overcome these structural constraints. When the economy grows, these constraints mean that the growth is more exclusive, accruing to the elite, than inclusive.

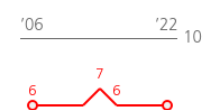
Racism has profoundly shaped South Africa's past and it continues to shape the present. Although exclusion no longer occurs primarily along lines of race, the greatest divisions in society are related to class distinctions and inequalities. Despite substantial state spending on attempts to include all citizens in service provision, the quality of services remains uneven, as areas that previously benefited from exclusionary policies under apartheid remain better resourced.

The pandemic has both magnified and exacerbated these structural constraints, as there are now millions more unemployed, while preliminary research has shown that poverty is rising rapidly. Wealthier South Africans were less likely to be affected by job losses and continue to earn relatively high salaries, while poorer South Africans contend with more precarious employment circumstances. The government has therefore had to prioritize social spending on emergency relief to the detriment of fiscal discipline and long-term economic stability.

South Africans have a long history of organizing and collective mobilization. The ANC was born out of a collection of citizens concerned about the Union of South Africa's attempts to further legalize land dispossession, thereby creating the world's oldest liberation movement. There are more than 100,000 registered non-governmental organizations in civil society, some with large memberships and many with significant influence in their respective communities. Civil society organizations have played a significant role in South Africa's young democracy and have been fundamental to pressurizing the state to implement legislation; a case in point is the Treatment Action Campaign's initiatives to force the state to provide affordable anti-retroviral treatment during the HIV/AIDS crisis.

Structural constraints

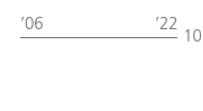
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Civil society traditions

3



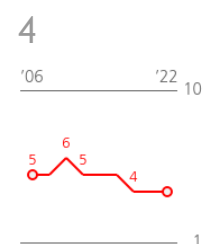
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Under the second term of Zuma, civil society organizations were highly effective at gathering evidence of corruption and mobilizing the public to voice their dissent. Peaceful protests are common in South Africa, indicating the vibrancy of civil society. However, civil society organizations also face operational constraints, namely a lack of domestic financial support, and an over-reliance on overseas donor funding. This places civil society organizations in a precarious position; they must continually search for sufficient funding to cover their costs, potentially to the detriment of their core function. During the pandemic, civil society has been crucial for providing oversight of the government's newly introduced legislation.

Society is fragmented by various social cleavages and conflict has been ever-present in South Africa's modern history. South Africa is much more peaceful today than it was in the 1980s or even during the democratic transition of the 1990s. Violent crime is prevalent, although much of this is the result of interpersonal conflicts between associates and not identity-based conflict. Discrimination and enmity between various social groups, especially when based on notions of race, ethnicity, gender and nationality, are not uncommon, but these tensions do not frequently manifest in conflict.

Since 2008, xenophobic violence, perpetrated by South Africans against foreign nationals, has become increasingly common. South Africa is one of the main destinations for immigrants from other African countries, particularly from southern Africa, and home to many refugees from central Africa. Competition for scarce job opportunities, particularly in impoverished township areas, has heightened xenophobic sentiments. Public opinion data from the Afrobarometer survey suggests many South Africans would prevent foreign nationals from accessing basic services and would prefer for the country to prevent immigration from African countries. These sentiments occasionally do lead to conflict. The pandemic has so far limited instances of identity-based conflict, as there is less opportunity for large gatherings.

Conflict intensity



II. Governance Performance

14 | Steering Capability

One benefit of holding regular free and fair elections and the electoral dominance of the ANC is the government's capacity to implement long-term policies. Opposition parties are allowed to compete, but no party other than the ANC has the social capital to realistically become the governing party. Without the threat of an electoral turnover in the short term, government policy is able to account for long-term programs and interventions, such as the National Development Plan (NDP) in 2012. Since then, the state has issued several assessments of national progress toward the NDP goals and the regularity of certain key indices, such as unemployment, allows for public engagement with key national priorities. The COVID-19 pandemic has not altered many long-term policy goals, but its effects have meant that achieving policy goals, particularly socioeconomic development, is increasingly unlikely.

Despite the ANC's dominance, the government is not immune from short-term policy announcements to appease the electorate or other stakeholders. During the final years of the Zuma presidency, the government announced large increases to the higher education department to placate student protests around the high costs of education. Additionally, internal ANC policies and resolutions, such as those pertaining to the nationalization of the South African Reserve Bank, have placed pressure on the government to implement party policy. Factional disputes within the ANC have also led to disagreements over designing and implementing policies, while corrupt officials within the state have resisted the strengthening of prosecutorial authorities and institutions. Despite long-term plans for policy priorities in government, internal party politics occasionally disrupts the longevity of policy plans.

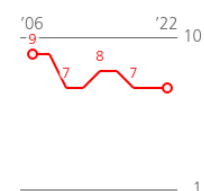
Policy implementation has been relatively weak, despite the presence of long-term planning documents and a clear legislative majority to implement policies. Implementation is weakened by inefficiencies within the bureaucracy, such as administrative delays or corruption, and factional competition between politicized officials, particularly at local and provincial levels of government. Key positions in the civil service and government departments have occasionally been used as patronage networks, with unqualified officials retaining their status due to their loyalty to particular interest groups.

The effectiveness of the state and policy certainty has been undermined by cadre deployment and corruption within key sectors, such as housing, water and sanitation and energy provision. Much of the most egregious state failure took place under Zuma's term, but Ramaphosa, despite promises to clean up the civil service, has failed to remedy most of the inefficiencies.

Question
Score

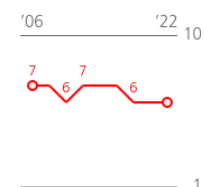
Prioritization

7



Implementation

6



South Africa has an agency responsible for policy learning: the Department for Planning, Monitoring and Evaluation (DPME), located within the presidency. The National Planning Commission (NPC), responsible for the creation of the NDP, is located within the DPME, ensuring a close link between policy prioritization, implementation and learning. The NPC is composed of researchers, civil society activists and private sector representatives, providing a broad spectrum of opinions on national policies. DPME is responsible for measuring the implementation of NDP goals and updating the presidency on progress toward these goals.

Since Ramaphosa's election as president, more attention has been paid to policy learning and DPME has sought to engage with civil society more frequently on its work. Ramaphosa, in his previous capacity as deputy president, was one of the primary initiators of the NDP. During the pandemic, DPME and other departments, particularly the national treasury, have sought to consult with experts and civil society activists to better understand the new reality around the country and what effect various policies are having on the population. Policy learning could be better institutionalized by great monitoring and evaluation of medium- and long-term strategies.

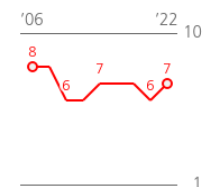
15 | Resource Efficiency

The government's use of available state resources is highly uneven. On the one hand, certain areas of the state are exceptionally well financed and staffed and some institutions, such as the South African Revenue Service, are highly effective at the core functions. On the other hand, corruption, financial mismanagement and patronage appointments are common, across all levels of the state, and within state-owned enterprises.

The public sector employs millions of employees and the state is capable of supplying essential services, but over a decade of public sector wage increases, the creation of several new government departments and a lack of oversight mechanisms have entrenched unsustainable financial pressures on the budget. The state has continued to spend prodigiously on expanding the public sector, while corrupt financial deals were being struck between unscrupulous officials and private interests, and at the same time government debt was expanding. Economic growth did not keep up with state spending and billions were lost to private individuals in corrupt tender processes. During the pandemic, much additional state spending on procuring personal protective equipment was funneled into private hands, with many individuals with close ties to political officials profiting from the pandemic. South Africa is still counting the costs of several years' worth of wasted state resources. Recent budget policy statements have aimed to limit public sector spending, but there is also the potential for future protest action among public sector workers. Policy implementation is often poor and institutions have limited capacity to conduct their core functions.

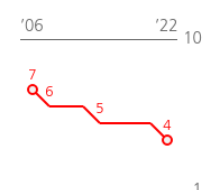
Policy learning

7



Efficient use of assets

4



The state has multiple resources in place to coordinate policies, ranging from expert commissions, policy documents, the DPME, and an active legislature. Policy coordination is highly subject to influence from internal ANC politics and factional disputes. Policy uncertainty is most evident regarding the economy, with international ratings agencies citing the lack of clarity on state spending as one of the primary reasons for continually downgrading South Africa's credit rating. Public sector spending has ballooned over the last decade, despite poor economic growth, and there has been very little policy certainty as to how to limit these increases and ensure that state spending is more effectively used.

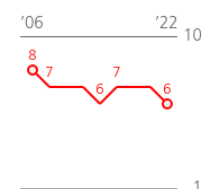
Factional disputes within government also hinder efforts to coordinate policy, especially when state officials are beholden to interests outside of their office. Political appointees to key institutions and state-owned enterprises often owe their position to political leaders, limiting the independence of the civil service. In the case of Eskom, the Revenue Service and even the national broadcasting service, senior appointments have crippled the efficacy of these organizations, especially those made under Zuma. There has been some reprieve for these institutions, with many undergoing leadership changes, but the damage to their finances and capacity is long-lasting.

Several laws and mechanisms limit corruption within both the public and private sector, but many of them have been evaded over the last decade. The NPA was systematically weakened in order to limit its potential to prosecute corrupt officials and the State Security Agency, as revealed in the Commission into Allegations of State Capture, became increasingly politicized to protect particular individuals from the threat of prosecution. In the private sector, corrupt practices such as fraud and insider trading are clearly outlawed, but several major companies have been found guilty of these practices.

Since Ramaphosa replaced Zuma in 2018, there has been a clear shift within the government to empower anti-corruption agencies and to support prosecutors to clamp down on corruption. Recent appointments to the National Prosecuting Authority (NPA) have proven to be far more competent than previous office holders, while the State Capture Commission has unearthed new evidence of corruption within the state. Although progress on anti-corruption efforts has been necessarily slow, it is a testament to anti-corruption policy that even senior officials within the governing party are now on trial for their part in allegedly misusing state funds.

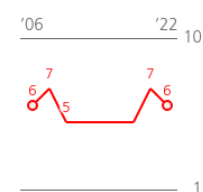
Policy coordination

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Anti-corruption policy

6



16 | Consensus-Building

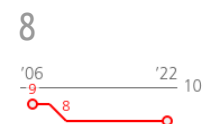
There is a general consensus among society and political elites on the main goal of governance, namely to ensure a more equitable, democratic society free from discrimination and inclusion. Business, labor, civil society organizations and religious institutions are all part of the democratic consensus in South Africa. Much of this consensus was established in the democratic transition of the 1990s, when the new constitution was implemented and the first free elections were conducted.

There is also a consensus among these different groups that a market economy, one in which the state intervenes to ensure there is fairness of opportunity and some regulation to encourage competition, is a preferable form of exchange. Even the most left-wing organizations, such as the South African Communist Party (SACP), the Congress of South African Trade Unions (COSATU) and the EFF, accept and support the principle of a market economy, although there are differences in the degree to which these organizations believe the state should intervene. Radical proposals to nationalize land and key industries remain minority views, although these have grown in prominence in recent years. The EFF is an emerging political force in South Africa, especially popular among disenfranchised youth, while the SACP and COSATU are part of a tripartite alliance with the ANC, with many ANC officials holding SACP membership. In general, a liberal market-driven economy is seen as legitimate and desirable by most in society. Private property rights are still protected under section 25 of the constitution.

South Africa is a vibrant democracy and there are no notable anti-democratic threats. Credible elections are seen as legitimate means to elect representatives and parliament is the primary arena for political contestation. Although some parties have contravened parliamentary procedures, there is no political actor who would threaten the functioning of South Africa's democracy.

Factional disputes within the ANC might be the most significant threat to the health of democracy. Ramaphosa has yet to fully dispel corrupt elements within his party or the state and many compromised officials have obstinately attempted to undo efforts at reform, particularly within state institutions. Several of the ANC's most senior leaders, some of whom also occupy government office, have faced serious allegations of corruption and illegality. Ramaphosa's authority within the ANC has also been tested by former president Zuma's recalcitrance in testifying at the State Capture Commission, combined with Zuma's public engagement with EFF leader Julius Malema and senior ANC figures at his private home, and Ace Magashule, the ANC Secretary-General's reluctance to step down from his position despite facing several charges of corruption. Despite these obstacles to achieving good governance, it is not yet clear that factional battles constitute a threat to democracy more broadly.

Consensus on goals



1

Anti-democratic actors



1

South Africa is marked by several profound social cleavages owing to the diversity of the country's population and its recent history of enforced segregation and conflict. The democratic transition in the 1990s was marked by several years of sectarian conflict and the state subsequently engaged in several years of nation-building efforts to minimize subnational conflicts and prioritize national cohesion. The Truth and Reconciliation Commission (TRC) was the primary means of public acknowledgment about the violent past and political tool to begin forming a more cohesive and peaceful society. Inequalities in South Africa are still present and class distinctions are perhaps more prevalent than racial differences.

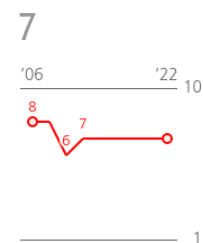
Due to the continuing inequalities in society, identity conflict has remained a constant threat. Although the threat of conflict is unlikely to result in widespread violence, instances of localized disagreement can lead to conflict. Ramaphosa is well known for his consultative approach to leadership, which was honed during the 1990s, but his leadership alone is insufficient to deal with the many deep divisions in society. The EFF, resorting to crude populist tactics, has occasionally fanned the flames of racial conflict, while other political leaders have insinuated that foreign nationals are responsible for social ills. Especially around elections, the major parties tend to use inflammatory language to play on existing prejudices. High-profile incidents of racism, which tend to be amplified by social media, have recently attracted political demonstrations, with either the ANC or EFF exacerbating the situation further for political capital. On the whole, the most senior political leaders manage conflict responsibly.

Civil society, broadly defined, is vibrant and diverse with a long history of collective mobilization. There are over 100,000 registered civil society organizations in South Africa, some with large memberships and others with substantial policy influences. Most are relatively small and lack sufficient resources to carry out their core duties. Government funding for civil society organizations is minimal and many of the larger organizations are forced to rely on donor funding, often from outside the country.

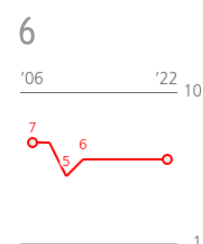
There are several forums where civil society organizations are invited to participate. Parliamentary committees are occasionally informed by expert and activist testimonies from civil society and mobilization campaigns for particular policies are common. However, despite the vibrancy of civil society, the government typically only engages with organizations as a last resort, after policies have been defined and priorities set. During the COVID-19 crisis, the government has acted even more unilaterally and spaces for civil society influence have been limited.

Civil society has easy access to parliament and occasionally has been heard by the MPs regarding specific topics.

Cleavage /
conflict
management



Civil society
participation



Due to the country's divided and violent past, reconciliation was a national priority for the first democratic government after 1994. The Truth and Reconciliation Commission (TRC) was established to investigate historical crimes against humanity committed under apartheid and to make recommendations to the government that would heal the wounds of the past and propose measures to create a more cohesive nation. In recent years, critiques of the TRC have centered on the Commission's perceived prioritization of forgiveness of victims toward perpetrators, over the interests of victims. Much of the criticism of the TRC, especially relating to its lack of engagement on economic issues, can, arguably be directed toward the state, as the TRC report made several recommendations to address economic disparities, which were not implemented by the government.

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

17 | International Cooperation

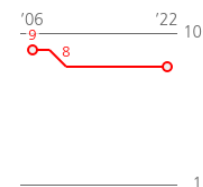
As a middle-income country, South Africa is not heavily dependent on international assistance. Data from the OECD shows that the amount of overseas development assistance (ODA) received by South Africa declined from its peak of \$1.42 billion in 2015 to \$971 million in 2019. The total GDP for 2019 was \$351 billion, therefore ODA accounted for just less than 0.3% of total GDP. ODA is mostly sourced from the United States, with Germany being the second largest contributor, and used for social or economic infrastructure and the funds are generally used appropriately and effectively. As a relatively stable democracy, South Africa is an attractive investment destination in Africa, although China and India have accelerated investment in smaller economies where finance can be used as leverage.

South Africa was also proactive in using international cooperation to protect poorer countries during the pandemic. Both South Africa and India have used the World Trade Organization to protest restrictive patent licenses on COVID-19 vaccines, which restricts access to poor economies, and South Africa has also supported the global COVAX initiative to procure vaccines in other African countries. Bilateral relations have been critical to the country securing COVID-19 vaccines.

South Africa makes use of its strategic position as the most diversified and industrialized economy in Africa. It maintains stable relations to the Western hemisphere, but also seeks to intensify its cooperation with the BRICS countries. Ramaphosa has emphasized the importance of multilateral engagements to advance South Africa's development pathway.

Reconciliation

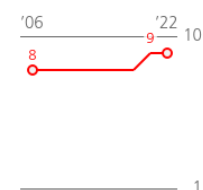
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Effective use of support

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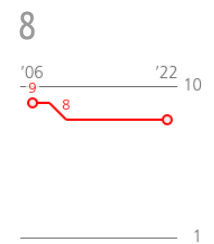
South Africa is an active member of the international community and forms part of several regional blocs, such as the Southern African Development Community (SADC) and the African Union (AU), and strategic partnerships, such as the BRICS. For the period 2019-20, South Africa was elected to serve as a non-permanent member of the UN Security Council and in 2020, president Ramaphosa assumed the rotating leadership of the AU. South Africa's diplomatic efforts tend to focus on fostering peace in conflict areas and prioritizing the rights to self-determination for people around the world. While Zuma's legacy tarnished South Africa's global reputation, Ramaphosa has attempted to remedy the country's credibility.

When South Africa was both a member of the UN Security Council and held the chair of the AU, the country faced criticism over its inability to condemn or sanction other African countries for their internal political strife. In 2020, Ethiopia descended into a state of near-civil war, when the government launched attacks against militants and civilians in the northern Tigray region over political power struggles. The crisis in Tigray has had spillover effects in Sudan and threatened human security. The AU, with its headquarters in Addis Ababa, was reluctant to intervene or criticize the Ethiopian government. Political conflict in Zimbabwe, when the state arrested journalists and the security apparatus attacked protesters, was largely ignored by the SADC and South Africa has refused to comment on the controversial Ugandan elections, characterized by pre-election intimidation and the house arrest of the main opposition candidate, Bobby Wine, during and after the elections. South Africa's international credibility is used to further its own national agenda. However, its insistence on nonintervention has in some instances damaged its international standing, particularly in the West. South Africa claims to follow a human-rights based approach to international affairs, but its record of condemnation of human rights violations is often inconsistent.

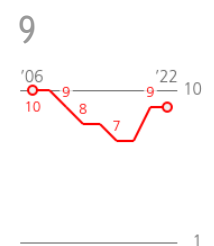
South Africa is a proponent of regional cooperation and forms part of the SADC, the AU and the South African Customs Union (SACU). In 2021, the African Continental Free Trade Agreement (AfCFTA) came into effect, creating the largest free trade area in the world. The AfCFTA has its headquarters in Accra, but its first secretary-general is a South African. South Africa was a major supporter of the AfCFTA. Although still in its infancy, the AfCFTA is designed to lower the barriers to regional trade and cooperation and facilitate greater regional trade on the continent.

Aside from membership in these organizations, South Africa also plays a leadership role in many of these institutions. Its GDP accounts for more than half of the combined GDP of the 15 member-states of the SADC and most of the revenue generated from trade within the SACU accrues to South Africa. President Ramaphosa was the chairperson of the AU in 2020. In its international relations, South Africa prioritizes regional cooperation and at a global level aims to further the interests of other African countries.

Credibility



Regional cooperation



President Ramaphosa tries to restore South Africa's role in the region, but until now no improvement has happened. The conflict in the North of Mozambique is escalating and the situation in Zimbabwe remains severe.

Strategic Outlook

South Africa faces three primary economic challenges, namely high levels of unemployment, poverty and inequality. These issues are pervasive throughout society and impede the success of governance and democracy. The COVID-19 crisis has both highlighted the severity of these challenges and exacerbated the problem. The success of the state's capacity to govern and the likelihood of fostering a more inclusive and cohesive society depend on reducing inequality and poverty, while creating more job opportunities.

Employment is the primary source of income in South Africa. Greater access to jobs is critical for the reduction of poverty and inequality. Inequality has widened precisely because high-income earners have either flourished or were shielded from the worst excesses of a weak economy. Thus employment-generating policies are the most obvious steps toward a more inclusive society and economy. South Africa requires a twinned approach to creating job opportunities, especially for young people.

First, the state needs to be reformed so as to reduce wasteful expenditure and revitalize institutions that could spur employment. National departments frequently under-spend their allocated budgets and some over-spend on irregular expenditures. Budgets could be better allocated toward employment-intensive infrastructure projects or to filling staffing shortages in regional department offices across the country. Limiting corruption saves the state money. Additionally, the state needs to be more proactive in its shift toward the future, harnessing the emerging potential of information technologies and renewable energy infrastructure. To open up new industries for employment, barriers to new businesses must be minimized and regulations to protect certain industries should be continually reformed to accommodate new technology and competitors. The state could also enlarge its public works program to allow unemployed job-seekers to gain skills and experience to prepare for more permanent work opportunities.

Second, policy uncertainty has undermined economic growth in the private sector. Investors and businesses need greater assurance that their capital will be secure and the opportunities to lose revenue are minimized. Basic infrastructural upgrades could save the economy billions for each day of planned electricity outages. Factional disputes within the governing party cause uncertainty over the direction of national policy and this hinders the potential for growth. Greater policy certainty and long-term planning will demonstrate confidence to investors and reassure society as to the capacity of the state.

Governance plays a critical role in the state of the economy and of society. Too much government interference can hinder the potential for growth and stifle market competition, but too little state influence can also leave unemployed people with no recourse or hope of finding employment. South Africa will need to strike a fine balance between encouraging private sector growth through an easing of restrictions and using the state to support employment-generating programs. COVID-19 has meant that the government has played an enlarged role in regulating society and restricting business, but in order to reduce inequality, poverty and unemployment, the state will need to help businesses flourish and job-seekers find employment.