The Good, the Bad, and the Ugly

Scenarios for South Africa
To build a fact-based model that outlines the consequences of choices that voters and political leaders make for the country.
Agenda

Rules of the Game: Assumptions About the Future

The Big Unanswered Questions

The Effects of the Global Context

Scenarios for South Africa
Rules of the Game: Assumptions About the Future
Rule 1: We are Moving From Dominant Party to Coalition Government

The ANC is sliding from dominant majority to minority status.

Opposition share growing, but DA and EFF are far apart on policy.

The ANC is sliding from dominant majority to minority status.
Rule 1: We are Moving From Dominant Party to Coalition Government

Dissatisfaction is high with fewer and fewer adults voting.

Total participation is sliding, weakening government’s mandate.

Will the young buy into the political system and vote when they are old enough?
Rule 1: We are Moving From Dominant Party to Coalition Government

Would you be happy to see a coalition of political parties govern South Africa?

- Yes: 78.6%
- No: 19.3%
- Don't know: 1.8%
- Refused: 0.4%

Over three quarters of voters would welcome a coalition government.

Election Survey by The Brenthurst Foundation November 2022
Rule 2: No Growth Without Investment, Policy Certainty and Accountable Government

South Africa’s share of global GDP per capita has slid from better than average in 1960 to a shade over half the global average in 2020, dragging down Sub-Saharan Africa.

Source: World Bank; Brenthurst Foundation calculations
Rule 2: No Growth Without Investment, Policy Certainty and Accountable Government

Gross national income per capita kept up with the world until 2008 but has diverged since.
Rule 3: Governance Success Requires the Rule of Law

Murders peaked in 1994 and fell dramatically until 2010. Since then, the upward trend has been strong. Ordinary South Africans don’t feel safe.

Data from 1915-1993 digitised from Africa Check, from 1994 on from Crime in South Africa Wikipedia page.
Rule 3: The Rule of Law is Essential to a Thriving Society and Economy

From the Global Organised Crime Index report, 2021

A notable rise in action by ‘mafia-style’ groups and ‘state-embedded actors’ means that crime has severe consequences for business and investors.
Average mathematics scale score, Grade 8, max score of 1000

South Africa has a severe shortage of high-end skills needed to run a modern government and economy, ranking second last in the TIMSS evaluation of Grade 8 performance in maths.

Source: TIMSS
Note: While all countries measured Grade 8 performance, South Africa and Norway measured Grade 9
Rule 4: A Skilled Civil Service and Private Sector is Needed to Grow the Economy

South Africa ranked dead last in the TIMSS evaluation of Grade 8 performance in science.

Average science scale score, Grade 8, max score of 1000

Source: TIMSS
Note: While all countries measured Grade 8 performance, South Africa and Norway measured Grade 9.
Rule 4: A Skilled Civil Service and Private Sector is Needed to Grow the Economy

South Africa spends more than any other country on schooling as a percentage of GDP.
Rule 5: Foreign Policy Alignment with Major Trading Partners Will Drive Investment and Trade

Statistics on trade from the SA Reserve Bank, 2021

<table>
<thead>
<tr>
<th>Region</th>
<th>Exports</th>
<th>South Africa’s trade balance with China is negative, and skewed in terms of value addition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>38.6</td>
<td>32.4</td>
</tr>
<tr>
<td>Europe</td>
<td>26.7</td>
<td>5.7</td>
</tr>
<tr>
<td>Africa</td>
<td>25.8</td>
<td>9.15</td>
</tr>
<tr>
<td>Americas</td>
<td>14.6</td>
<td>9.71</td>
</tr>
<tr>
<td>Oceana</td>
<td>0.94</td>
<td>1.25</td>
</tr>
</tbody>
</table>

The graph illustrates the export data for different regions, showing the trade balance with China being negative and skewed in terms of value addition.
Rule 5: Foreign Policy Alignment with Major Trading Partners Will Drive Investment and Trade

South Africa is critical of fellow democracies and consistently takes positions at odds with them in multilateral forums. But it indulges malign, extractive actors, such as Russia, a negligible trading partner, and China.

2021 statistics on SA exports from Trading Economics excluding countries >US$100m. Brenthurst calculations.
The Big Unanswered Questions
1. How Will Politics Play Out?

### Decided by: 4000 Delegates at ANC Conference in December 2022

<table>
<thead>
<tr>
<th>1. ANC Elective Conference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ret Wins</strong>&lt;br&gt;NDZ/Mkhize ANC President, Reform Defeated</td>
</tr>
<tr>
<td><strong>Reformers Win</strong>&lt;br&gt;CR/PM ANC President, Ret Defeated</td>
</tr>
<tr>
<td><strong>Divided Party</strong>&lt;br&gt;CR ANC President, Ret Still Powerful</td>
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### Decided by: Voters in 2024

<table>
<thead>
<tr>
<th>2. National Election 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ANC Vote Plummets to 42% or Lower</strong></td>
</tr>
<tr>
<td><strong>ANC Vote Stabilises Just Over 50%</strong></td>
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<tr>
<td><strong>ANC Vote Drops to the High 40% Mark</strong></td>
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</tbody>
</table>

### Decided by: Political Leaders

<table>
<thead>
<tr>
<th>3. Populist Coalition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ANC Needs EFF to Stay in Power</strong></td>
</tr>
<tr>
<td><strong>Another CR Compromise Cabinet Muddling Along</strong></td>
</tr>
<tr>
<td><strong>CR Drives Reforms Hard</strong>&lt;br&gt;Centrist ANC Makes Tough Calls</td>
</tr>
<tr>
<td><strong>CR in Centrist Coalition</strong>&lt;br&gt;ANC, Centrists Share Power</td>
</tr>
<tr>
<td><strong>Opposition Coalition</strong>&lt;br&gt;DA, ActionSA, IFP, EFF Share Power</td>
</tr>
</tbody>
</table>

Decisions made at the ANC’s leadership conference still shape the political landscape.

The ANC’s leadership choices will determine its performance in the 2024 election.
1. How Will Politics Play Out?

Thinking ahead to the next general election in 2024 who will you cast your vote for?

ANC 47.6%  
DA 24.0%  
EFF 10.7%  
Other 6.8%  
IFP 4.1%  
Action SA 4.0%  
FF+ 1.3%

ANC set to drop below 50% for the first time in 2024 national election
1. How Will Politics Play Out?

Voters prefer a coalition of parties excluding the ANC or an ANC-DA coalition.

The least preferred option was an ANC-EFF coalition.
1. How Will Politics Play Out?

Polling by The Brenthurst Foundation November 2022

What do you think is the biggest problem facing South Africa?

- Jobs: 30.7%
- Corruption: 24.9%
- Load Shedding: 16.8%
- Crime: 10.7%
- Weak leadership: 8.5%
- A failed political system: 3.8%
- Poor policy: 1.6%
- Access to land: 1.4%
- Don't know: 0.3%
- Refused: 1.1%

Voters cite jobs, corruption, load shedding and crime as the biggest problems.
1. How Will Politics Play Out?

Voters have shifted to identifying the underperforming government as the country’s biggest problem.

Few use the old paradigm of blaming apartheid, racism or the constitution for the country’s problems.

Election Survey by The Brenthurst Foundation November 2022
2. Can SA Attract the Investment to Grow?

FDI per capita inflows below world and middle income country averages but still higher than Africa

If this trend continues, growth is likely to be restricted

Investment and growth depends on the political and governance outcome
3. Will the Much-Needed Jobs Materialise?

Unless reversed, growing unemployment is likely to lead to growing social distress, instability and desperate choices in elections.
4. Can the State Assert Legal Authority and Turn the Tide on Crime and Disorder?

From the report of the expert panel into the July 2021 unrest:

“There also is a worry that the violence has left behind a sense of uncertainty and vulnerability because of the ineffective response of the security services and an appetite for lawlessness by those who might feel emboldened by the apparent lack of state capacity”
5. Can SA Produce or Acquire the Skills Needed to Get the Economy Going?

From a report by the recruitment agency, Adcorp, South Africa has a shortage of:

- AI and automation specialists
- Technical engineers
- Development engineers
- Medical professionals including 26,000 nurses
- Cloud, data, and Java specialists
Government has passed regulations and legislation to open up energy and transport markets to private sector involvement. But there are major obstacles to implementation:

- Ministers disagree with the reforms
- The bureaucracy is threatened by private sector competition and its implications
- There are inadequate skills to manage complex economic transactions and regulations
- The establishment doesn’t want its rents disrupted
5. Can Government Undertake Needed Economic Reforms?

Do you think that the private sector should be allowed to participate in providing services like energy, port, rail?

- Yes: 54.2%
- I don't mind: 23.7%
- No: 14.7%
- Don't know: 7.4%
- Refused: 0.0%

Over three quarters of respondents want the private sector to help provide key services.
6. Can Government Get Its Finances in Order?

Government Debt as a percentage of GDP is rising.

Financial controls are weak as the lack of clean audits by municipalities shows.
The energy deficit means load shedding and this places an estimated 2% cap on economic growth, all other things being equal.
7. Can We Produce the Energy to Grow?

The rate of failure of Eskom’s generation fleet is accelerating at a pace no-one anticipated.
The Effects of the African Context
1. Exponential African Population Growth Looms

Africa is set to benefit from a ‘demographic dividend’ but the failure to create sufficient opportunities could cause instability and migration towards countries where there is relative opportunity.

Source: United Nations
1. Exponential African Population Growth Looms

Africa is set to benefit from a 'demographic dividend' but the failure to create sufficient opportunities could cause instability and migration towards countries where there is relative opportunity.

Africa’s median age will stay below 20-years-old while South Africa’s is closer to the global average.

Source: United Nations; Worldometer
2. Three Drivers of Migration

Climate, Economy, Conflict

All three of these drivers are already active as South Africa faces floods of economic refugees, some fleeing droughts, collapsing economies and conflict. This is likely to increase as climate change bites harder.
African conflicts are on the rise, leading to instability, population movements and pressure on resources. Other conflicts such as those in Ukraine and the Middle East affect food and energy prices, adding to economic difficulties in Africa.
Scenarios for South Africa
1. A South African SWOT

| STRENGTHS | \- A diverse, sophisticated economy built over centuries
| \- High concentration of skills
| \- Large multinational presence
| \- Energy potential (60% Afr)
| \- Democratic competition and separation of powers |

| WEAKNESSES | \- Liberation movement record and fragmentation
| \- Systemic corruption
| \- Poverty and inequality
| \- Shrinking tax-base but growing welfare system
| \- Lack of private sector space
| \- Elite dysfunction |

| OPPORTUNITIES | \- Expanded services sector
| \- Gateway to Africa – advanced rail, road and maritime links
| \- Renewed governance and democracy trajectory
| \- Education renewal
| \- Private sector capacity |

| THREATS | \- Political centre does not hold leading to populism
| \- Civil unrest
| \- Diminished tax-base
| \- Capital flight & ‘brain drain’
| \- Regional atrophy & collapse
| \- A new Cold War |
2. The Four Outcomes and Enablers

**Political Enablers:**
- Narrow ANC victory
- Dwindling options
- With power, exodus
- ANC support in low 40s
- RET ANC allies with EFF

**The Ugly**
- There is more but not more effective, government.
- Reforms are announced but not implemented
- Tide of lawlessness continues to rise
- Only low-level officials prosecuted for corruption
- Regional flood continues
- No investment, no growth
- Capital and skills exodus

**The Good**
- Reforms are implemented
- Private investment saves energy and logistics
- Sound fiscal policy and financial controls
- Merit-based public service
- BEE that delivers to poor
- Empowered provinces, cities
- activist regional foreign policy
- Education transformation

**The Bad**
- Rule by populists with crude policies
- Nationalisation as business flees
- Rule of law collapses
- Racial and ethnic divisions sharpen
- Unskilled cadres dominate public service
- Disinvestment, negative growth
- Small oligarchic elite in sea of poverty

**Fistful of Cents**
- Pockets excellence and growth
- Some provinces, municipalities thrive, most fail
- Jobless growth excludes youth
- Elite oligopoly and rising corruption
- Rich get richer, poor get poorer
- Some devolution key powers

**Political Enablers:**
- Multiparty Coalition
- ANC aligns with centrist parties
- Narrow ANC victory
- Rent-seeking government

**Political Enablers:**
- Weak Economy
- Strong Economy

**More Effective Government**

**Less Effective Government**
3. The Good

ANC elects reformist leaders
Parties of the centre cohere
ANC obtains close to 50% in election
Coalition of ANC and parties of the centre
Coalition of opposition parties
ANC finds its reform spine

POSSIBILITY OF A RESTART

DEREGULATION
ACCELERATED INFRASTRUCTURE PROGRAMME WITH PRIVATE SECTOR INVESTMENT
RAPID ENERGY GROWTH
MERIT-BASED CIVIL SERVICE
POLICE REFORMED, TOUGH ON CRIME AN CORRUPTION
INVESTMENT RISES
MINING, AGRICULTURE FLOURISH
SEZS BOOSTED
ECONOMY, JOBS GROW
GATEWAY FOR AFRICAN INVESTMENT

THE GOOD

Parties decide
Voters decide
Leaders decide
4. The Bad

**Parties decide**

**Voters decide**

**Leaders decide**

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**ROAD TO A FAILED STATE**

- Malema Deputy President
- Nationalisation announced
- Radical Land Plan
- Defiance of Constitution and Court Judgements
- Courts hollowed out
- State looted by cronies
- Alignment with autocratic pariah states
- State violence against dissent
- Rapid disinvestment
- Rapid wealth emigration

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**The Bad**

- RET faction dominates ANC
- ANC falls to low 40% in election
- ANC – EFF form RET coalition
5. The Ugly

- **Parties decide**
  - RET and reformers fight to a standstill

- **Voters decide**
  - ANC scraps in with a narrow electoral majority

- **Leaders decide**
  - ANC forms compromise government

**Dwindling Options**
- No clear policy
- Weak state
- Investors stay away
- Inflation, borrowing rise as tax revenues decline
- Lawlessness mounts as mafias extort
- Energy collapse
- Violent crime grows
- Elite accumulation but middle and working classes decimated
- Emigration of wealthy, skilled

**The Ugly**
6. Fistful of Cents

ANC leadership divided

Extractive splinter parties band together

ANC scrapes in with a narrow electoral majority or with narrow win

Weak coalition with small parties

ELITE EXTRACTION

POCKETS OF GOVERNANCE EXCELLENCE IN A SEA OF FAILURE
ECONOMIC GROWTH BUT NO JOBS
CONNECTED ELITE GROWS WEALTHY BUT POVERTY RISES FOR THE REST
POLITICAL INSTITUTIONS HOLLOWED OUT TO ALLOW UNFETTERED ACCUMULATION
RISE OF Oligarchs depending on state largesse
POLITICS DRIVEN BY RENT DISTRIBUTION
PUNITIVE BURDEN ON UNCONNECTED BUSINESS

FISTFUL OF CENTS