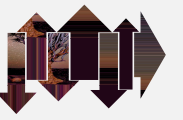


The Good, the Bad, and the Ugly

Scenarios for
South Africa



IN TRANSFORMATION
INITIATIVE



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

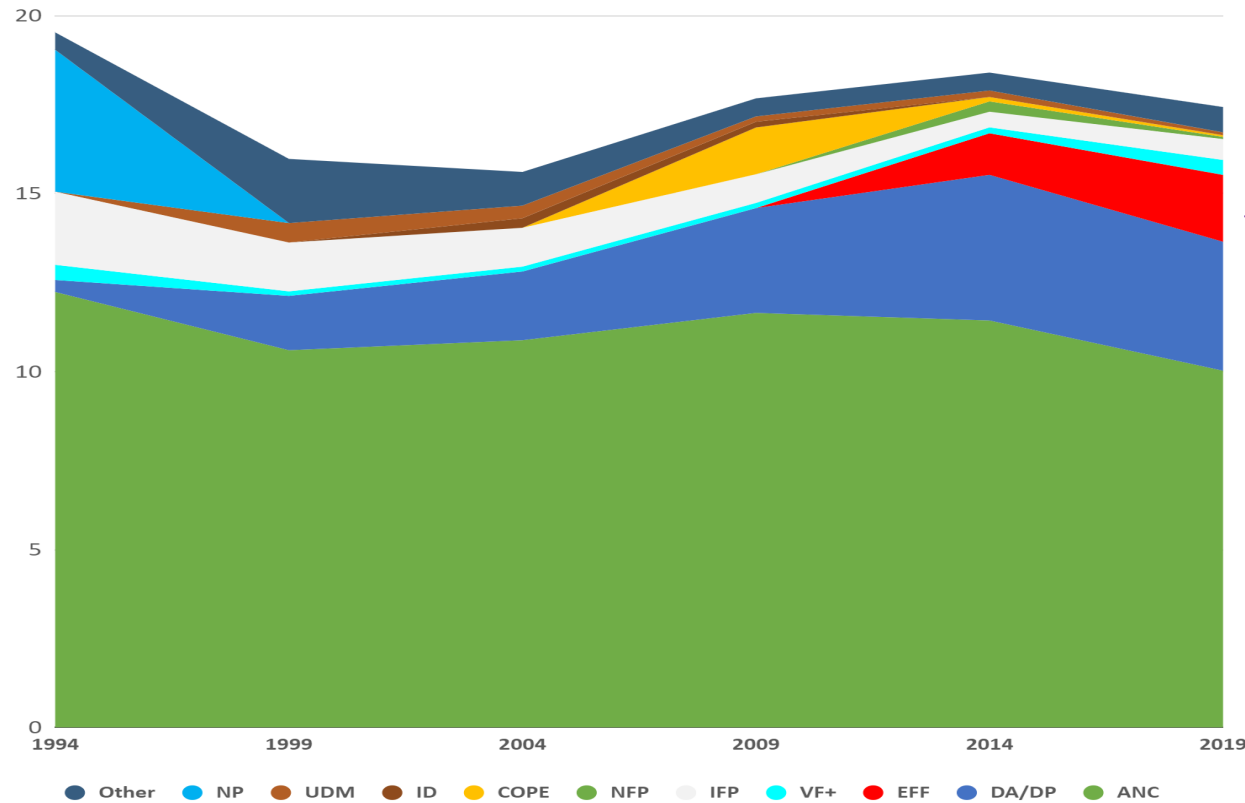


Rules of the Game: Assumptions About the Future

Rule 1: We are Moving From Dominant Party to Coalition Government



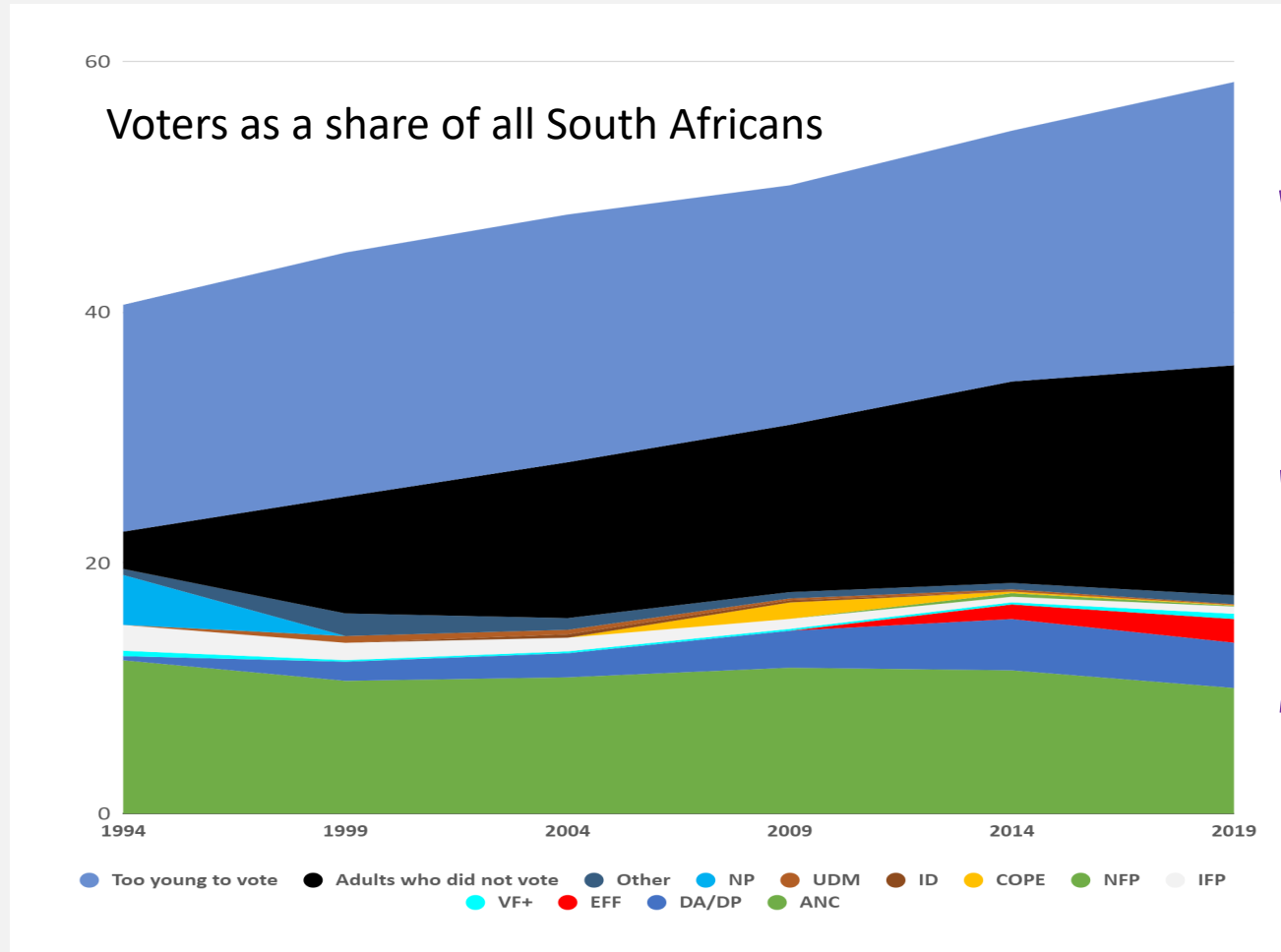
Voters in National Elections Since 1994 (in millions)



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



Will the young buy into the political system and vote when they are old enough?

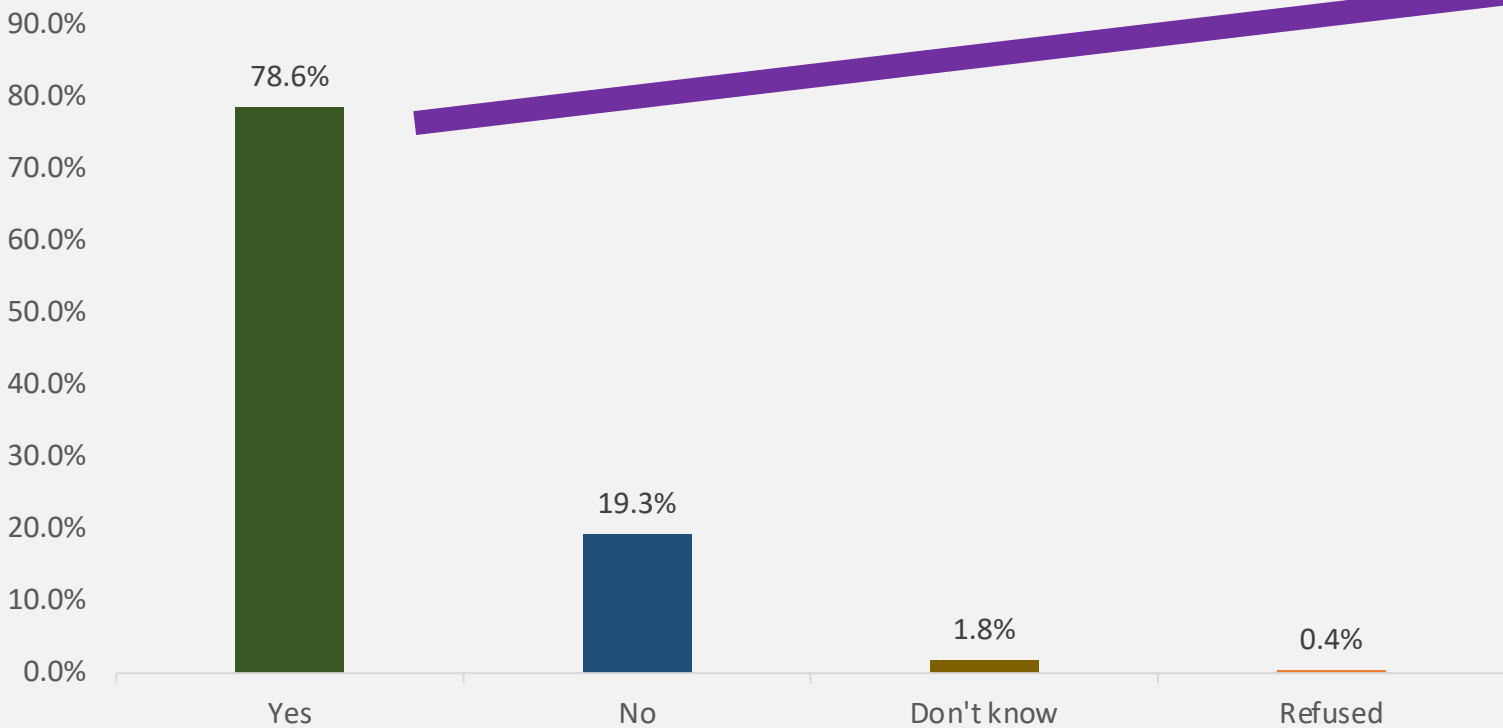
Dissatisfaction is high with fewer and fewer adults voting

Total participation is sliding, weakening government's mandate

Rule 1: We are Moving From Dominant Party to Coalition Government



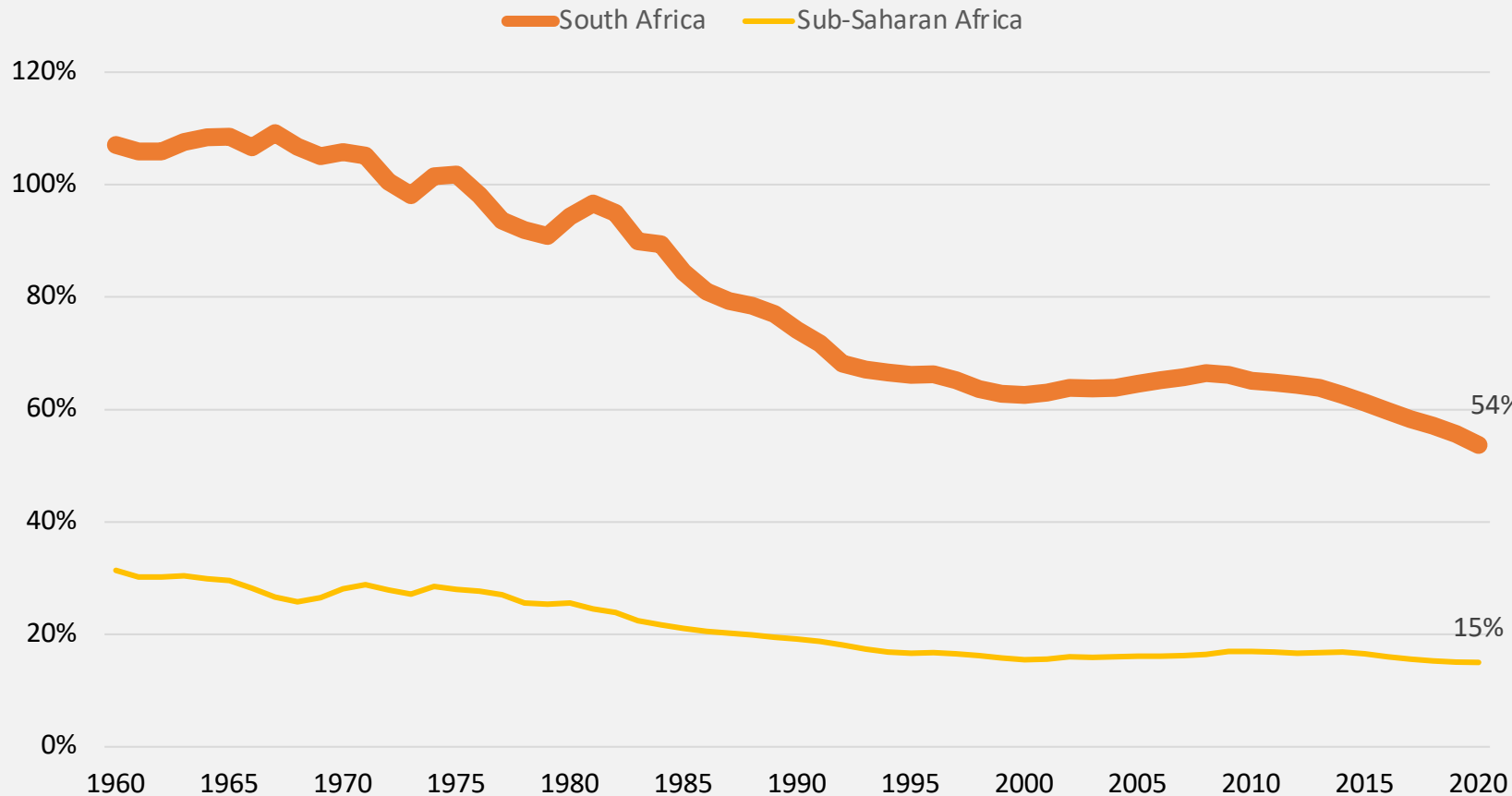
Would you be happy to see a coalition of political parties govern South Africa?



Over three quarters of voters would welcome a coalition government

Election Survey by The Brenthurst Foundation November 2022

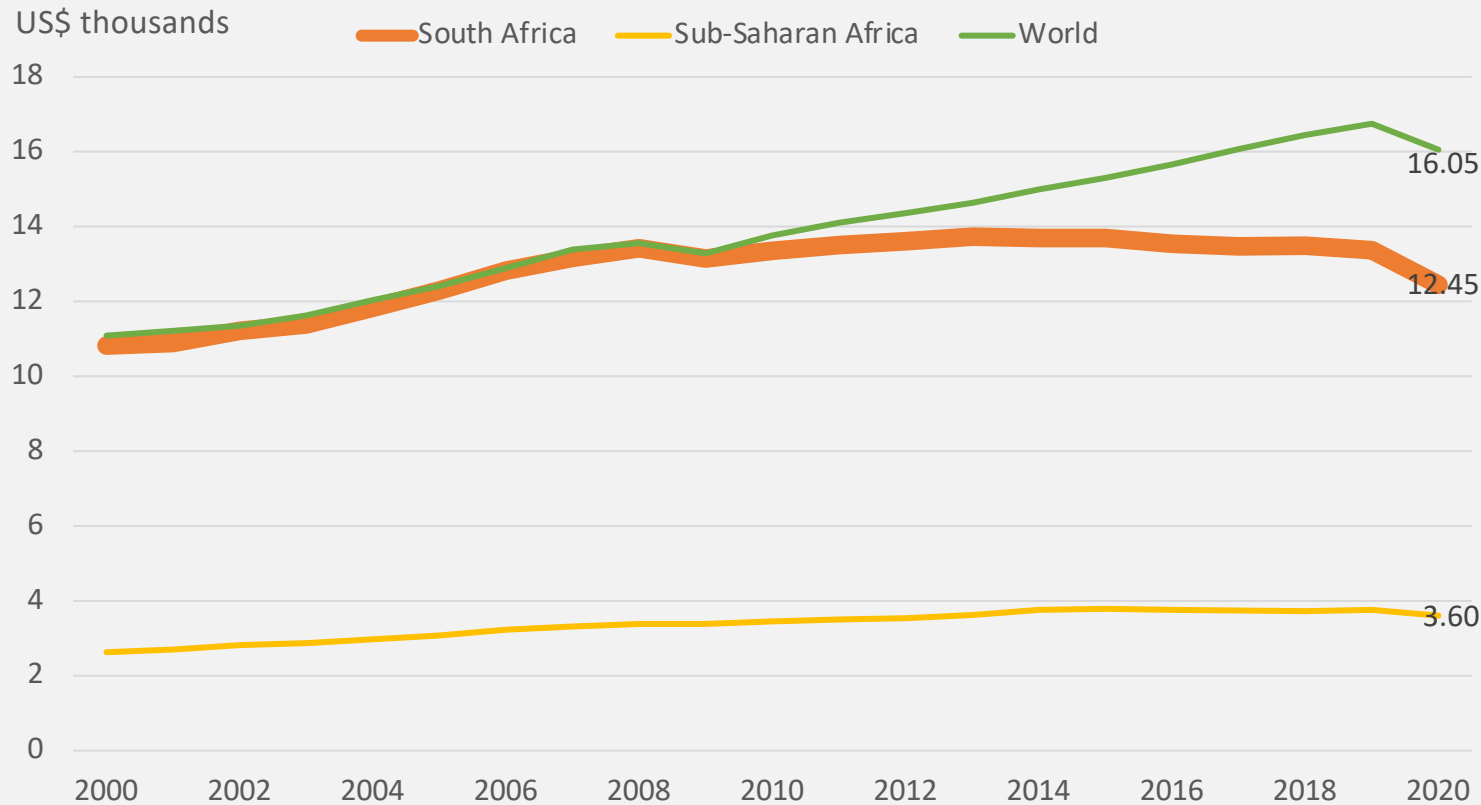
Rule 2: No Growth Without Investment, Policy Certainty and Accountable Government



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

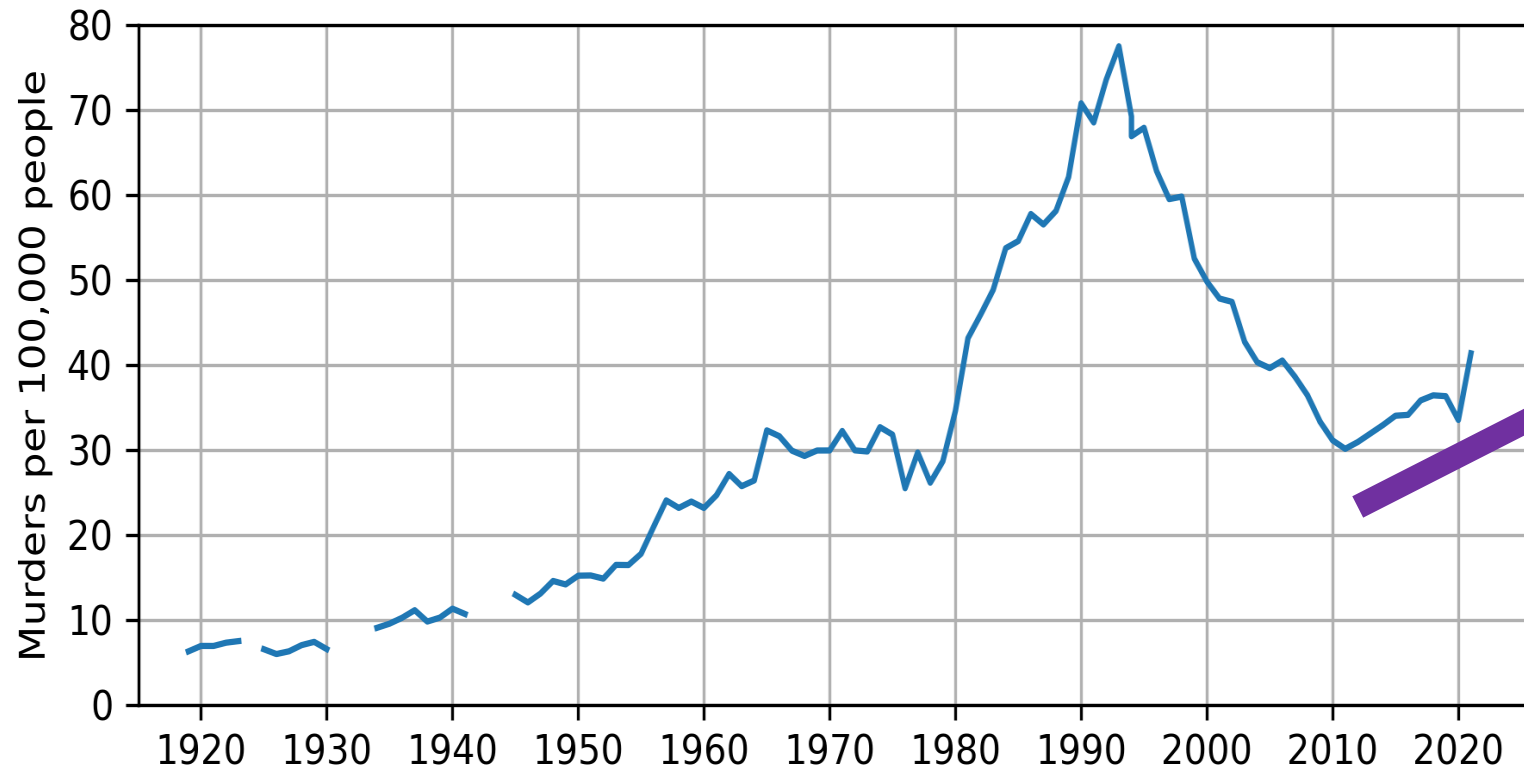
Source: World Bank; Brenthurst Foundation calculations

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

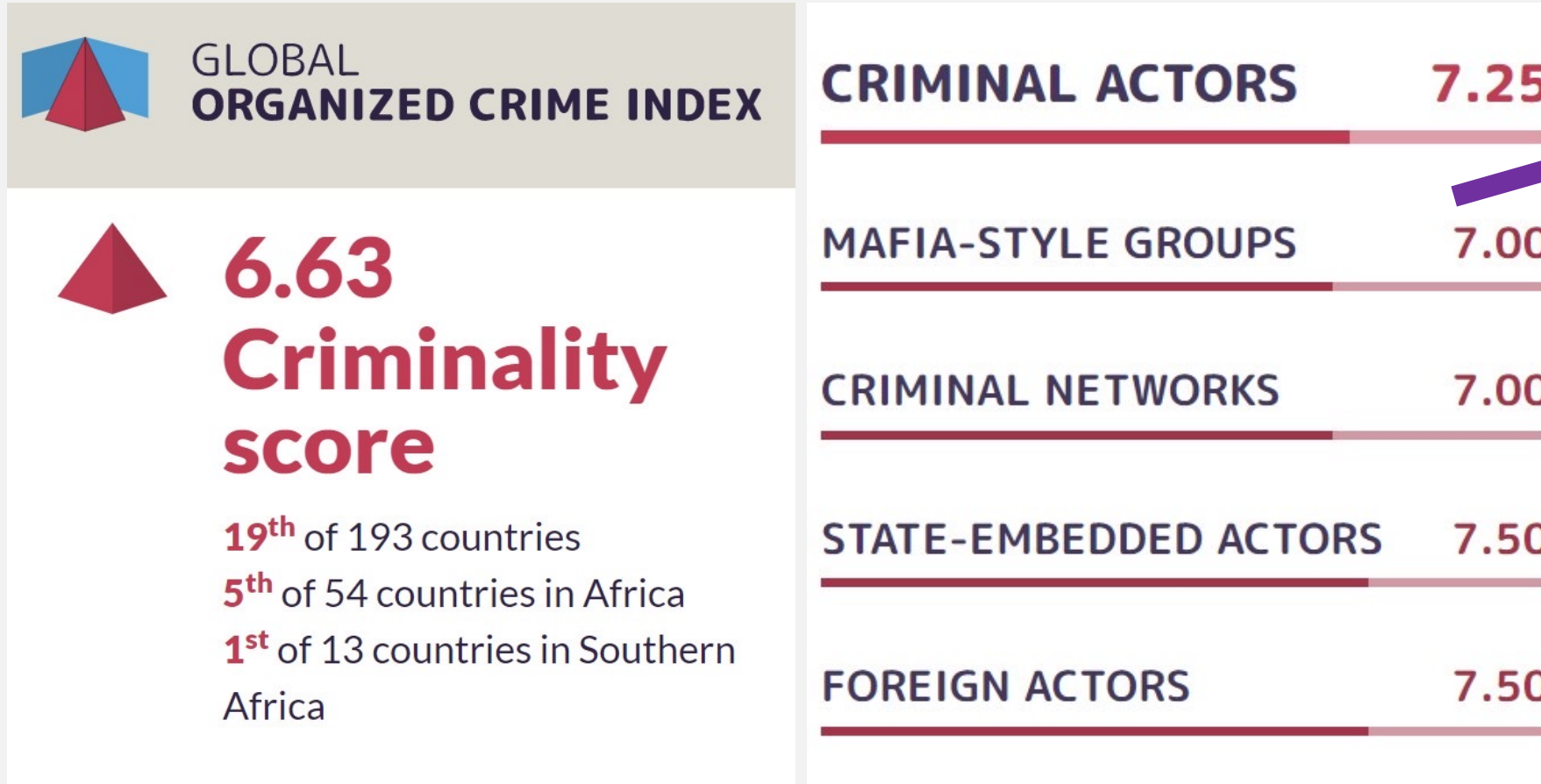
Rule 3: Governance Success Requires the Rule of Law



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



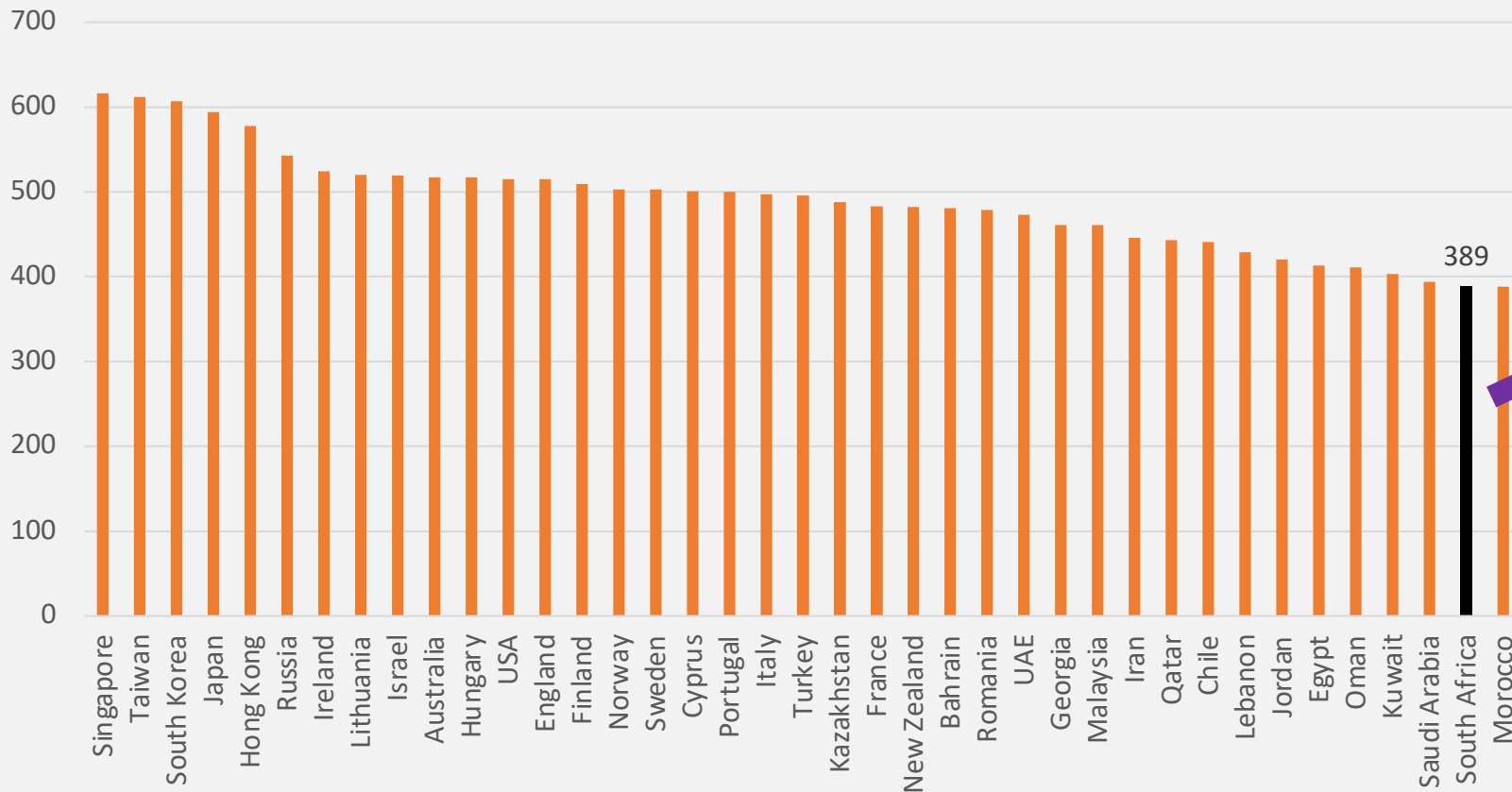
A notable rise in action by 'mafia-style' groups and 'state-embedded actors' means that crime has severe consequences for business and investors

From the Global Organised Crime Index report, 2021

Rule 4: A Skilled Civil Service and Private Sector is Needed to Grow the Economy



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

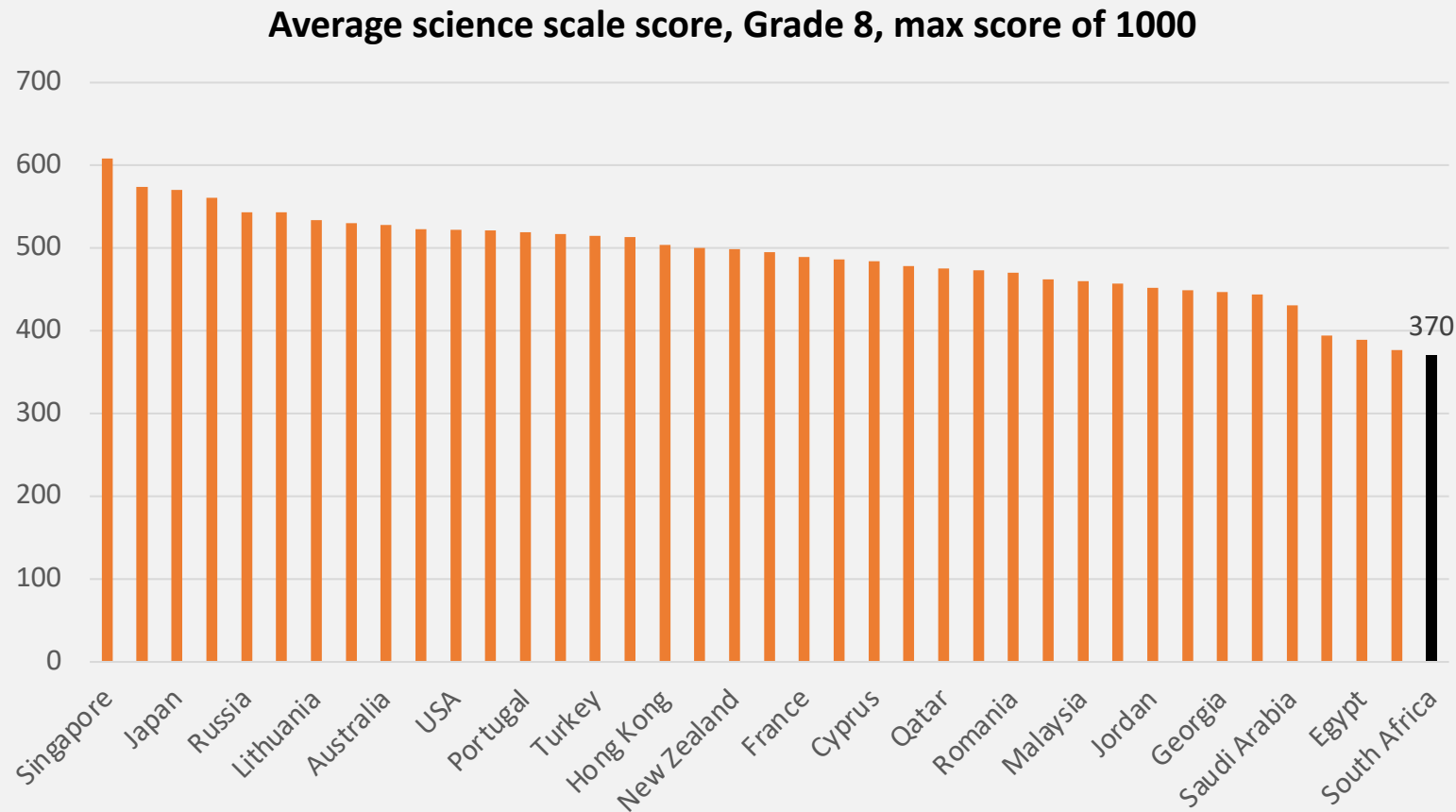


South Africa has a severe shortage of high-end skills needed to run a modern government and economy, ranking second last in the TIMSS evaluation of Grade 8 performance in maths

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

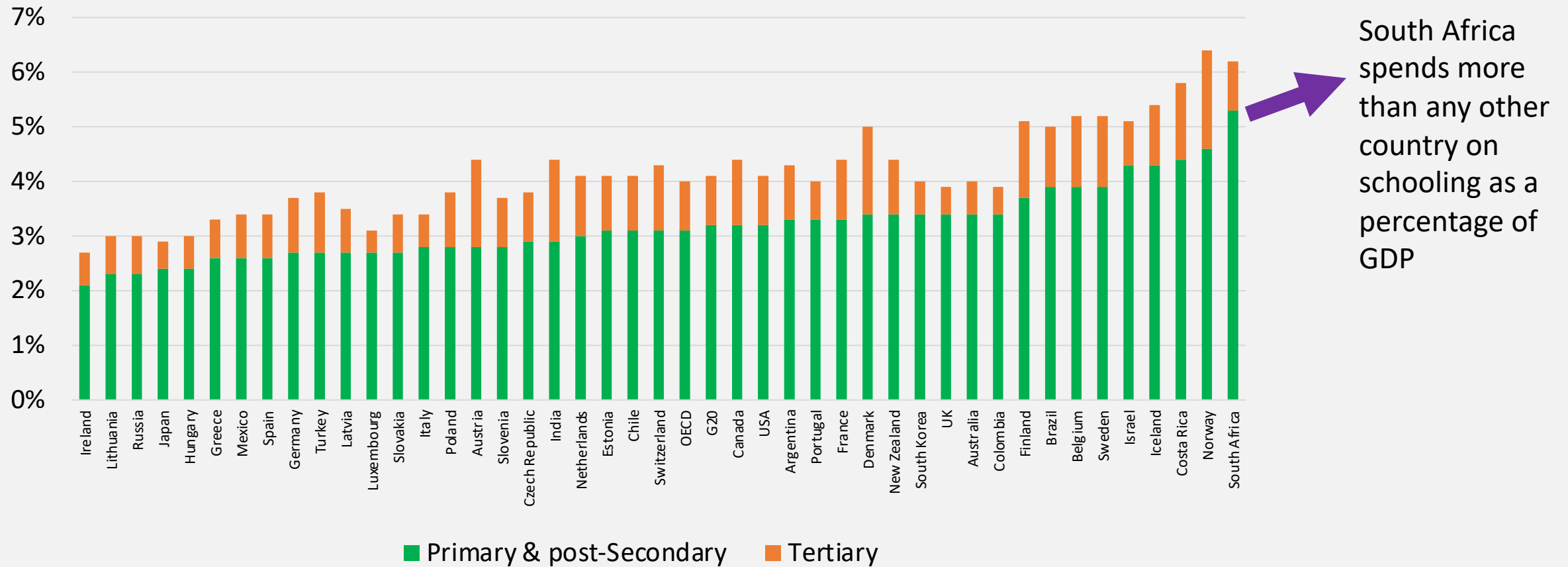


South Africa ranked dead last in the TIMSS evaluation of Grade 8 performance in science

Source: TIMSS

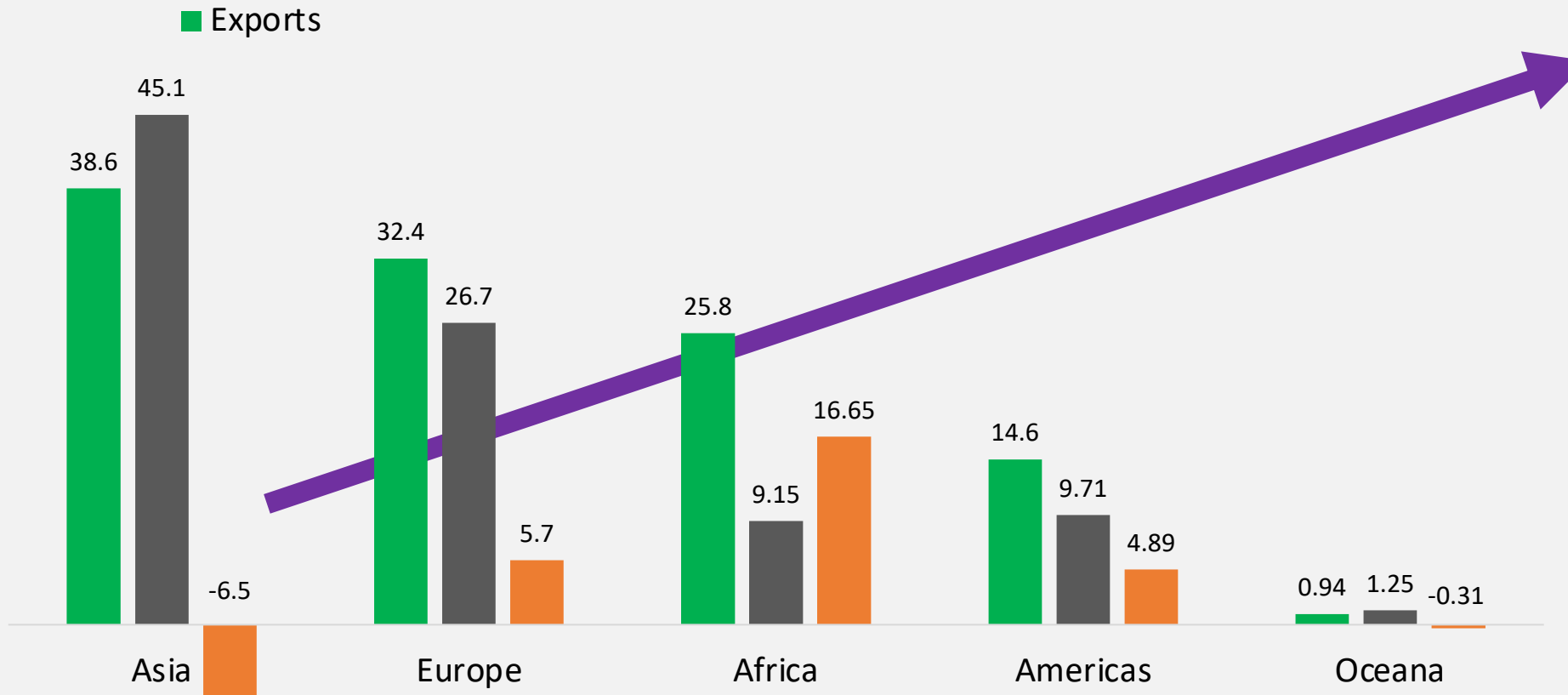
Note: While all countries measured Grade 8 performance, South Africa and Norway measured Grade 9

Rule 4: A Skilled Civil Service and Private Sector is Needed to Grow the Economy



Source: OECD

Rule 5: Foreign Policy Alignment with Major Trading Partners Will Drive Investment and Trade



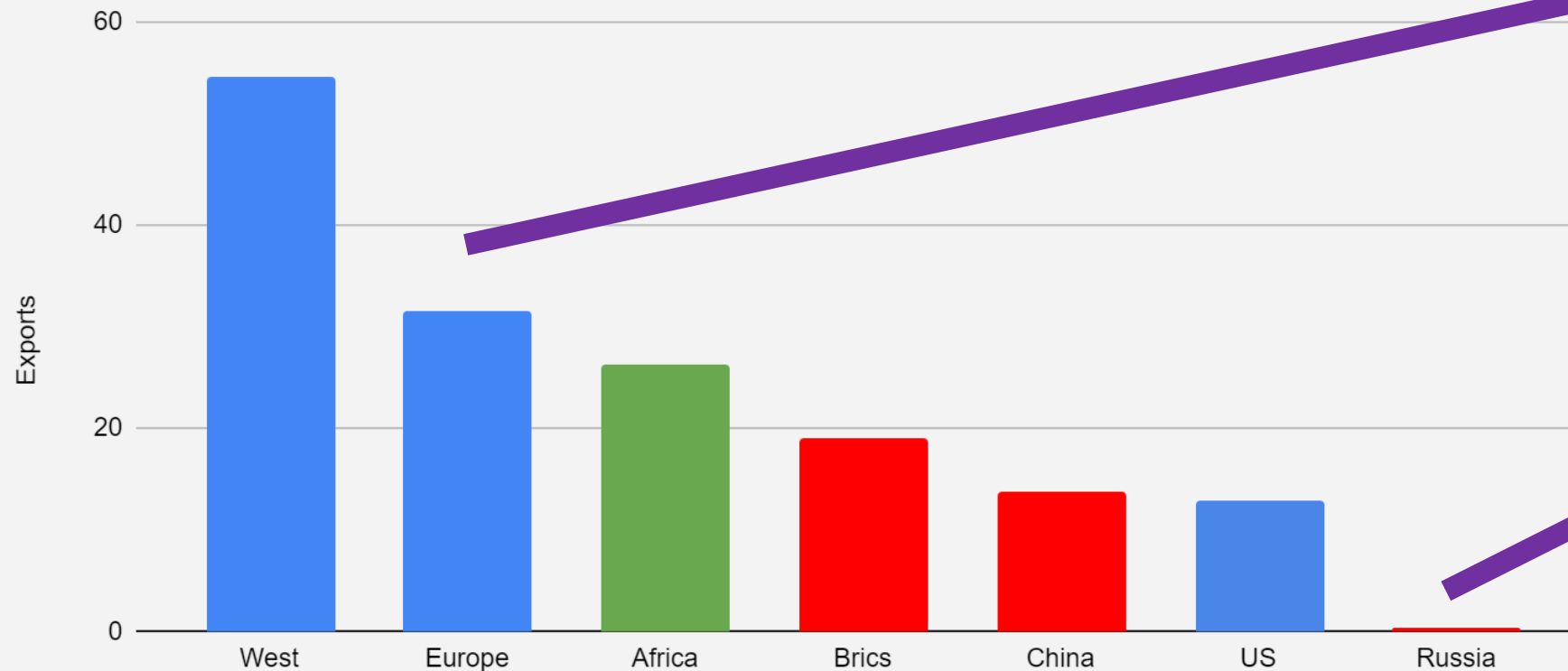
South Africa's trade balance with China is negative, and skewed in terms of value addition

Statistics on trade from the SA Reserve Bank, 2021

Rule 5: Foreign Policy Alignment with Major Trading Partners Will Drive Investment and Trade



Destinations for South African Exports (\$bn)



South Africa is critical of fellow democracies and consistently takes positions at odds with them in multilateral forums

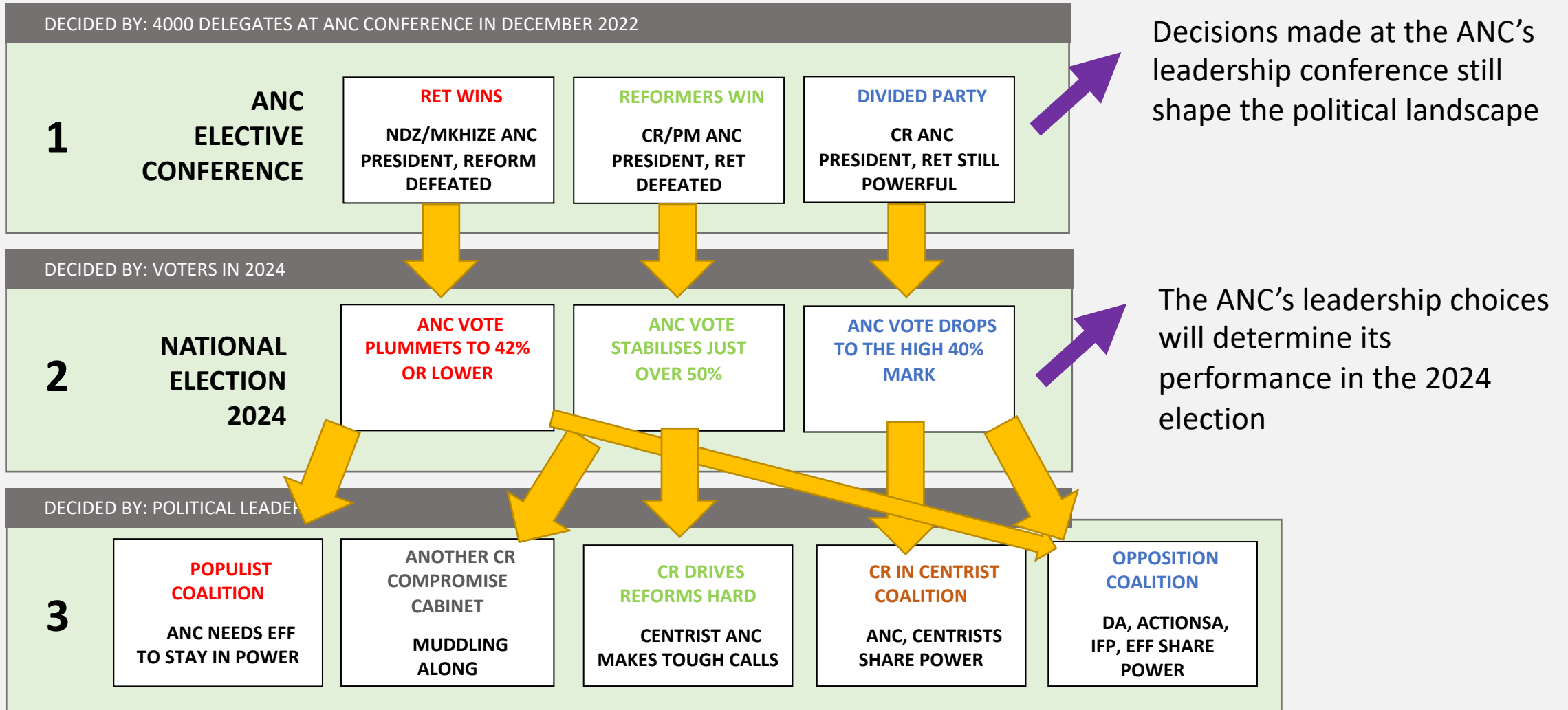
But it indulges malign, extractive actors, such as Russia, a negligible trading partner, and China

2021 statistics on SA exports from Trading Economics excluding countries >US\$100m. Brenthurst calculations



The Big Unanswered Questions

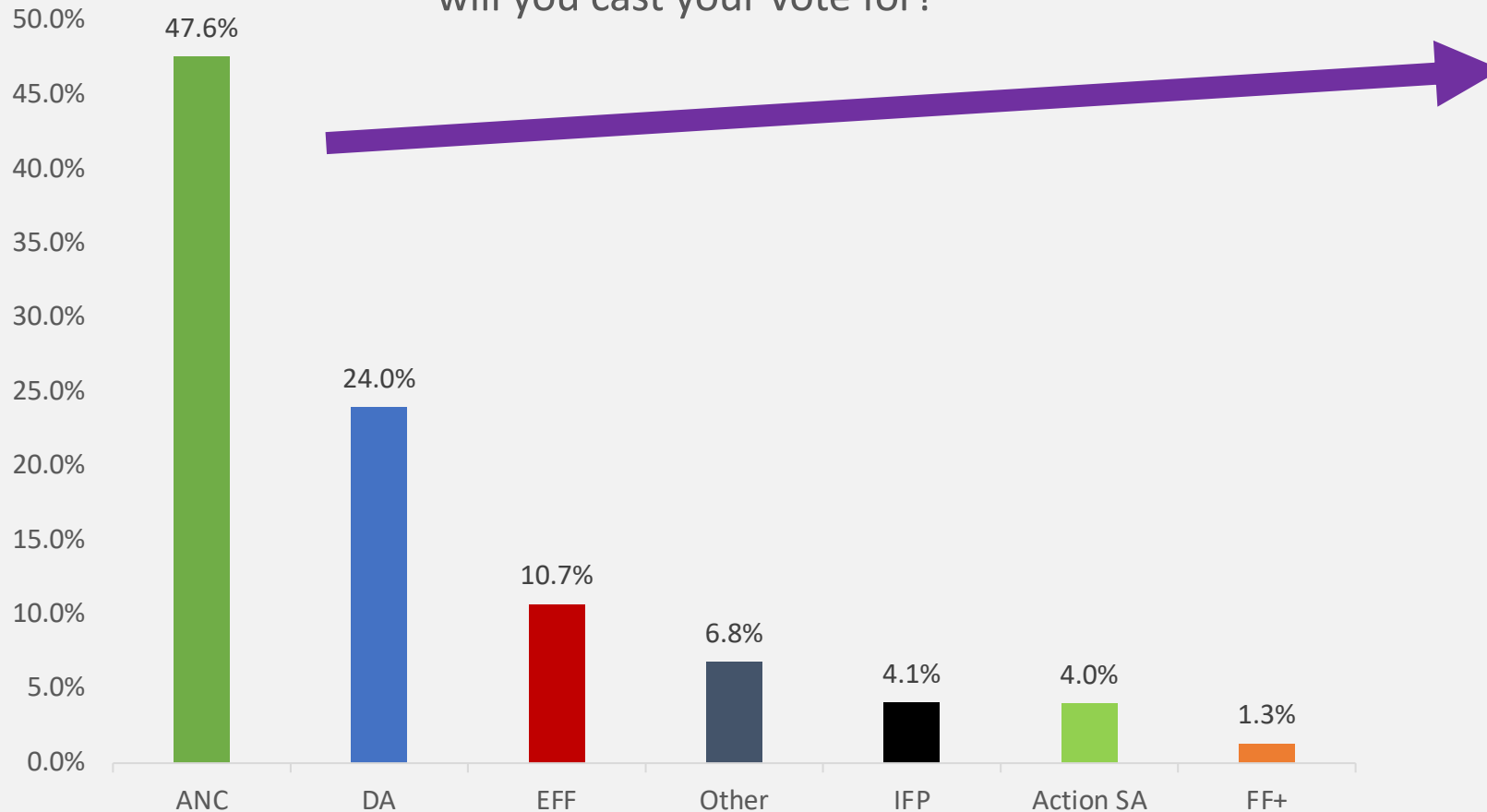
1. How Will Politics Play Out?



1. How Will Politics Play Out?



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



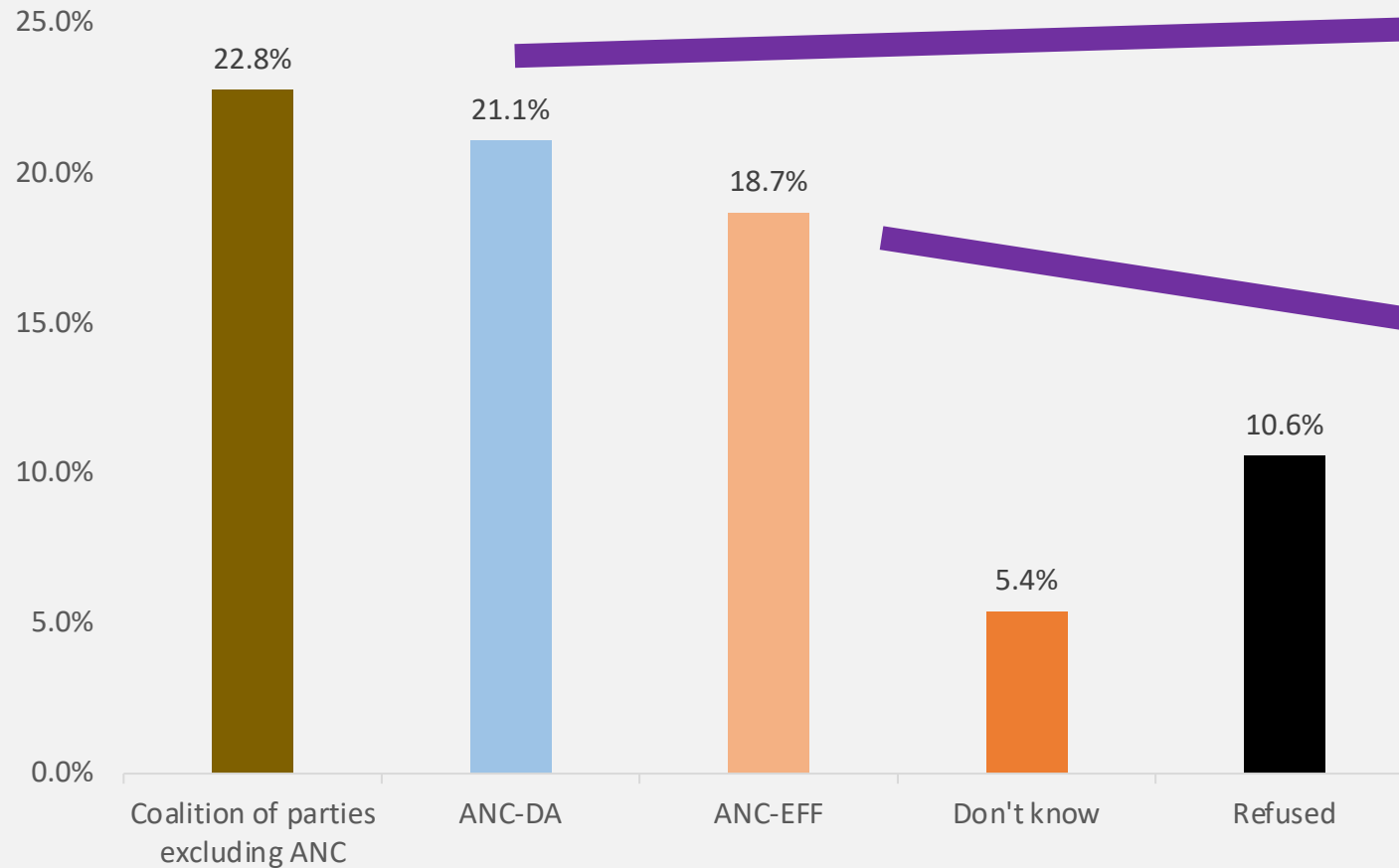
ANC set to drop below 50% for the first time in 2024 national election

Election Survey by The Brenthurst Foundation November 2022

1. How Will Politics Play Out?



Which coalition would you prefer to run the country?



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

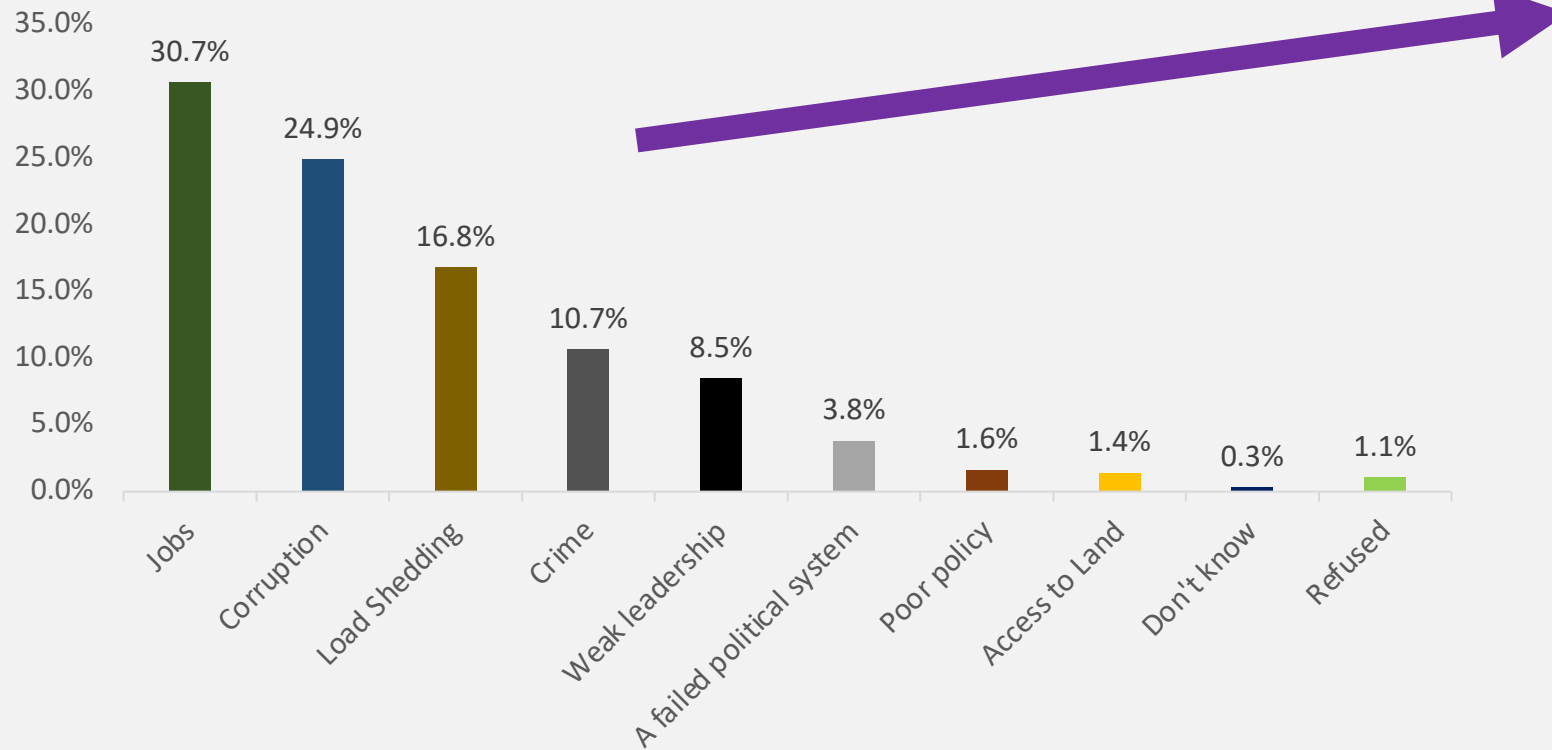
The least preferred option was an ANC-EFF coalition

Election Survey by The Brenthurst Foundation November 2022

1. How Will Politics Play Out?



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



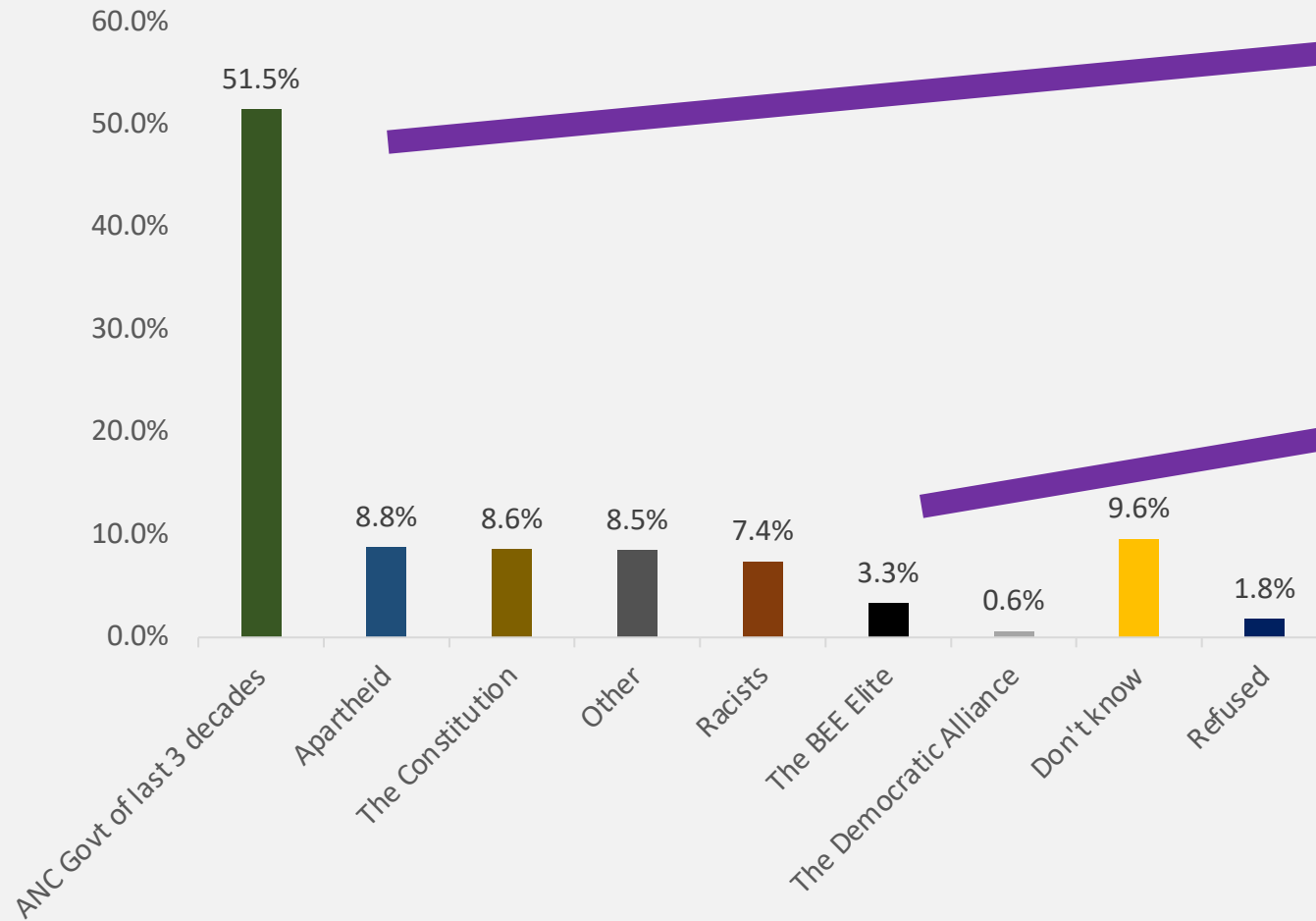
Voters cite jobs, corruption, load shedding and crime as the biggest problems

Election Survey by The Brenthurst Foundation November 2022

1. How Will Politics Play Out?



Who or what is most responsible for this problem?

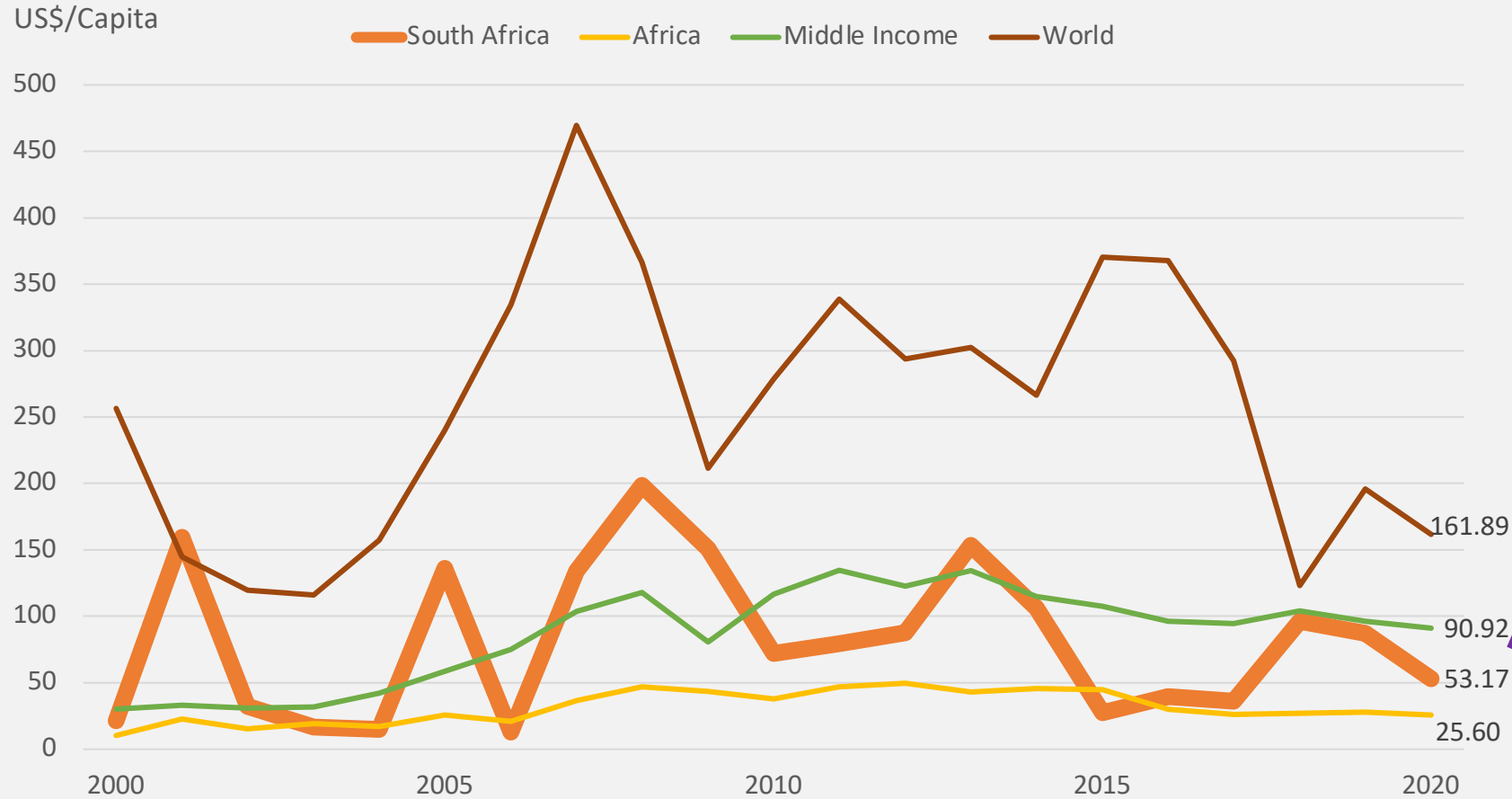


Voters have shifted to identifying the underperforming government as the country's biggest problem

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?

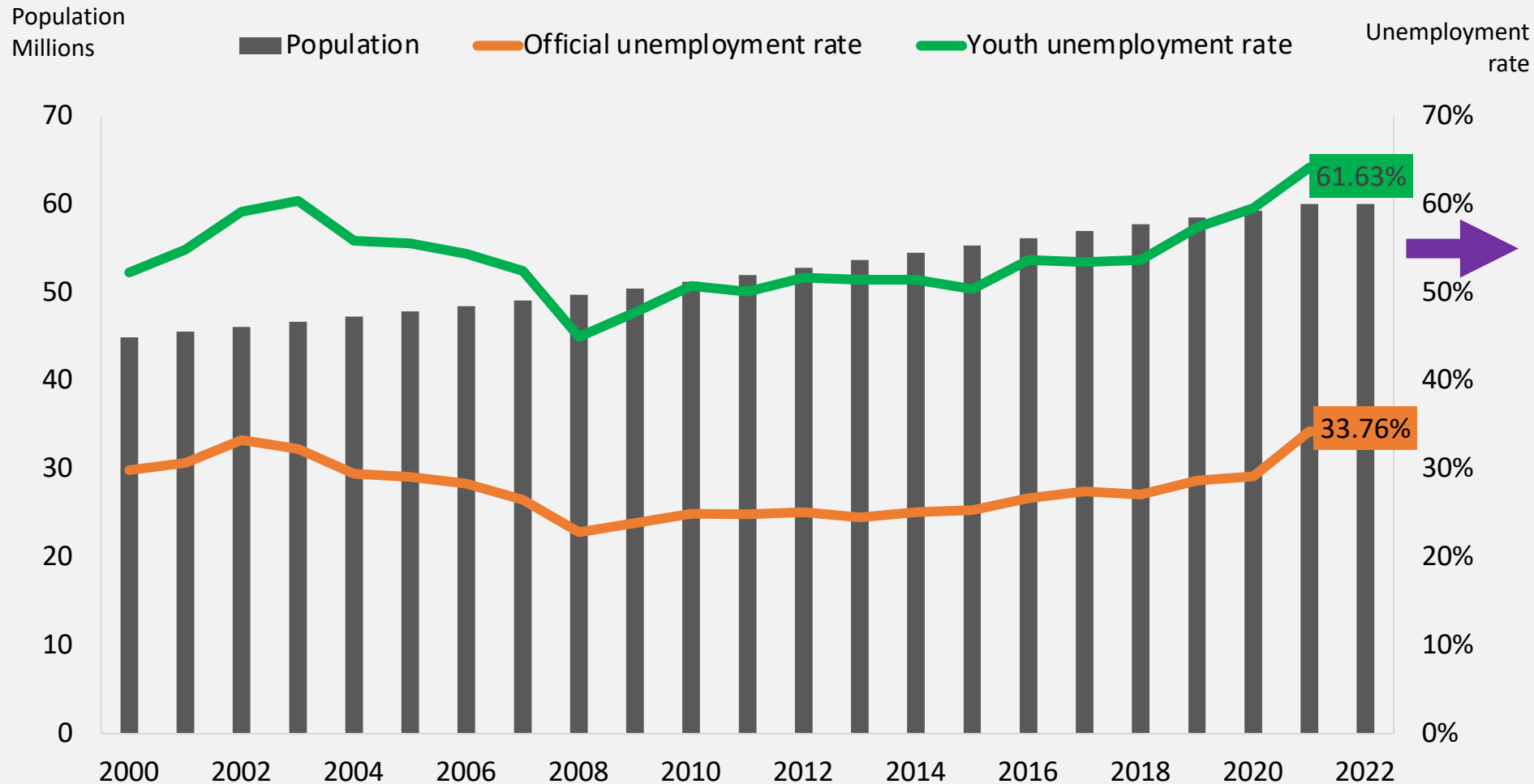


FDI per capita inflows below world and middle income country averages but still higher than Africa

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?



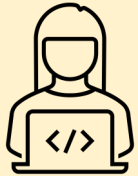
From the report of the expert panel into the July 2021 unrest:

“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?



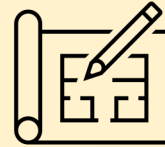
From a report by the recruitment agency, Adcorp, South Africa has a shortage of:



AI and
automation
specialists



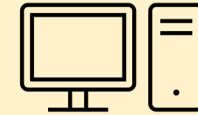
Medical
professionals
including 26 000
nurses



Technical
engineers



Development
engineers



Cloud, data,
and Java
specialists

5. Can Government Undertake Needed Economic Reforms?



Government has passed regulations and legislation to open up energy and transport markets to private sector involvement. But there are major obstacles to implementation:



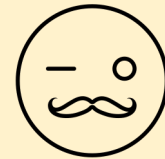
Ministers disagree with the reforms



The bureaucracy is threatened by private sector competition and its implications



There are inadequate skills to manage complex economic transactions and regulations

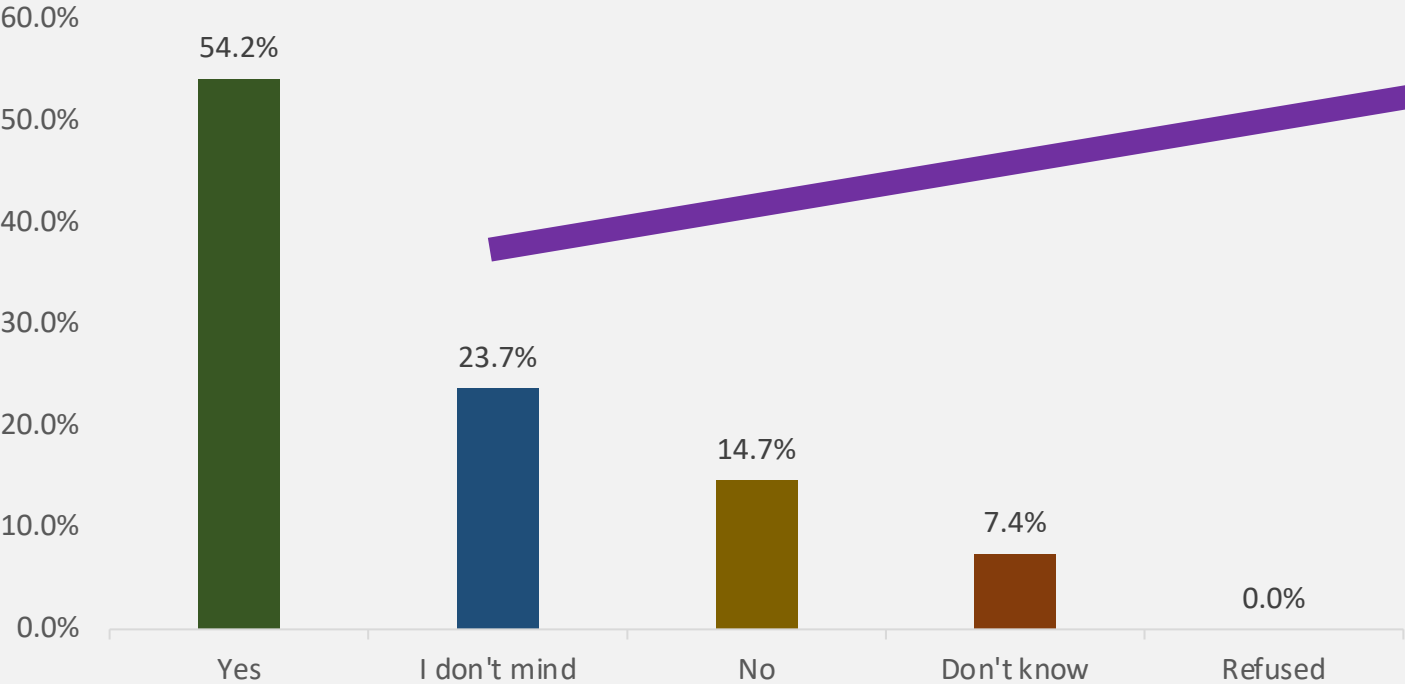


The establishment doesn't want its rents disrupted

5. Can Government Undertake Needed Economic Reforms?

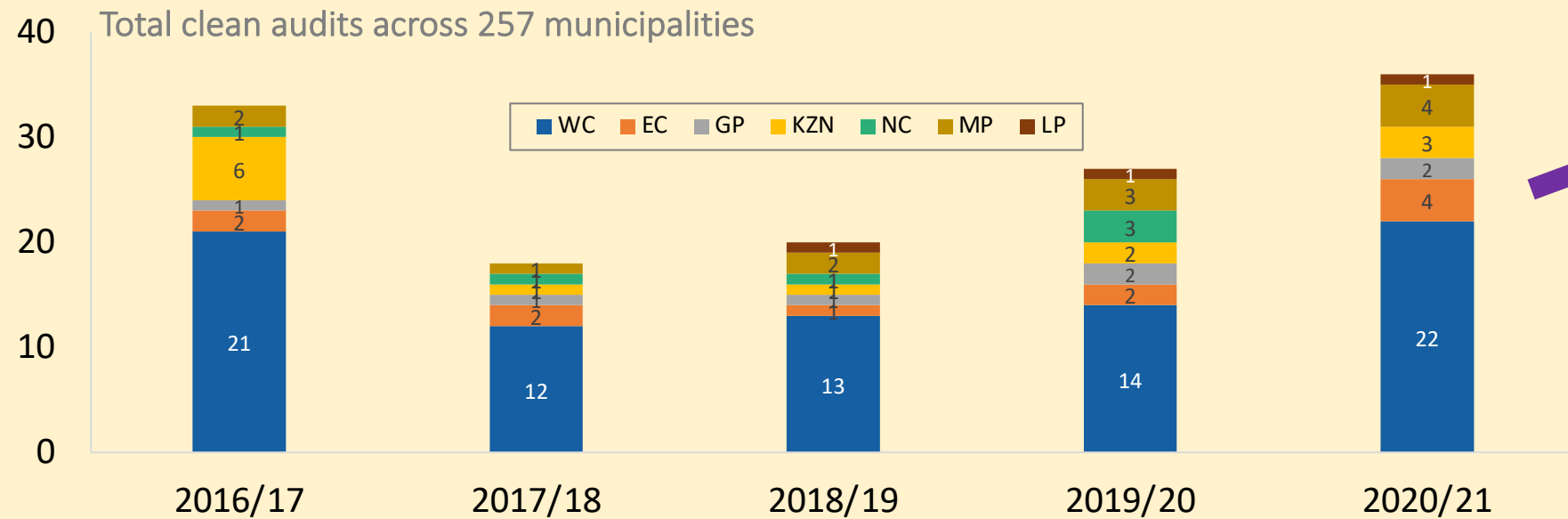
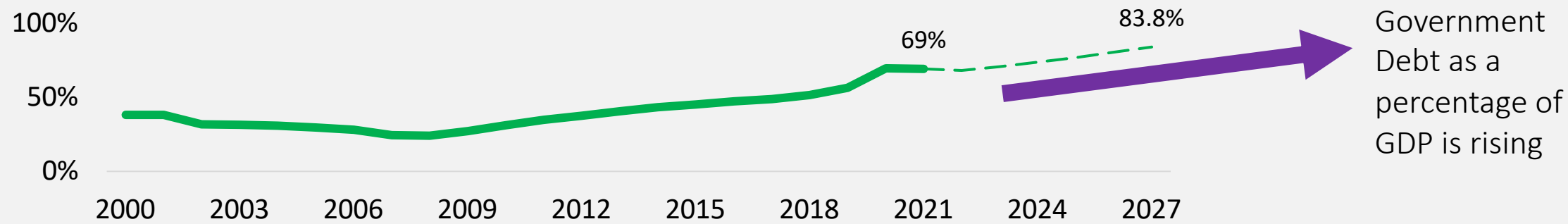


Do you think that the private sector should be allowed to participate in providing services like energy, port, rail?



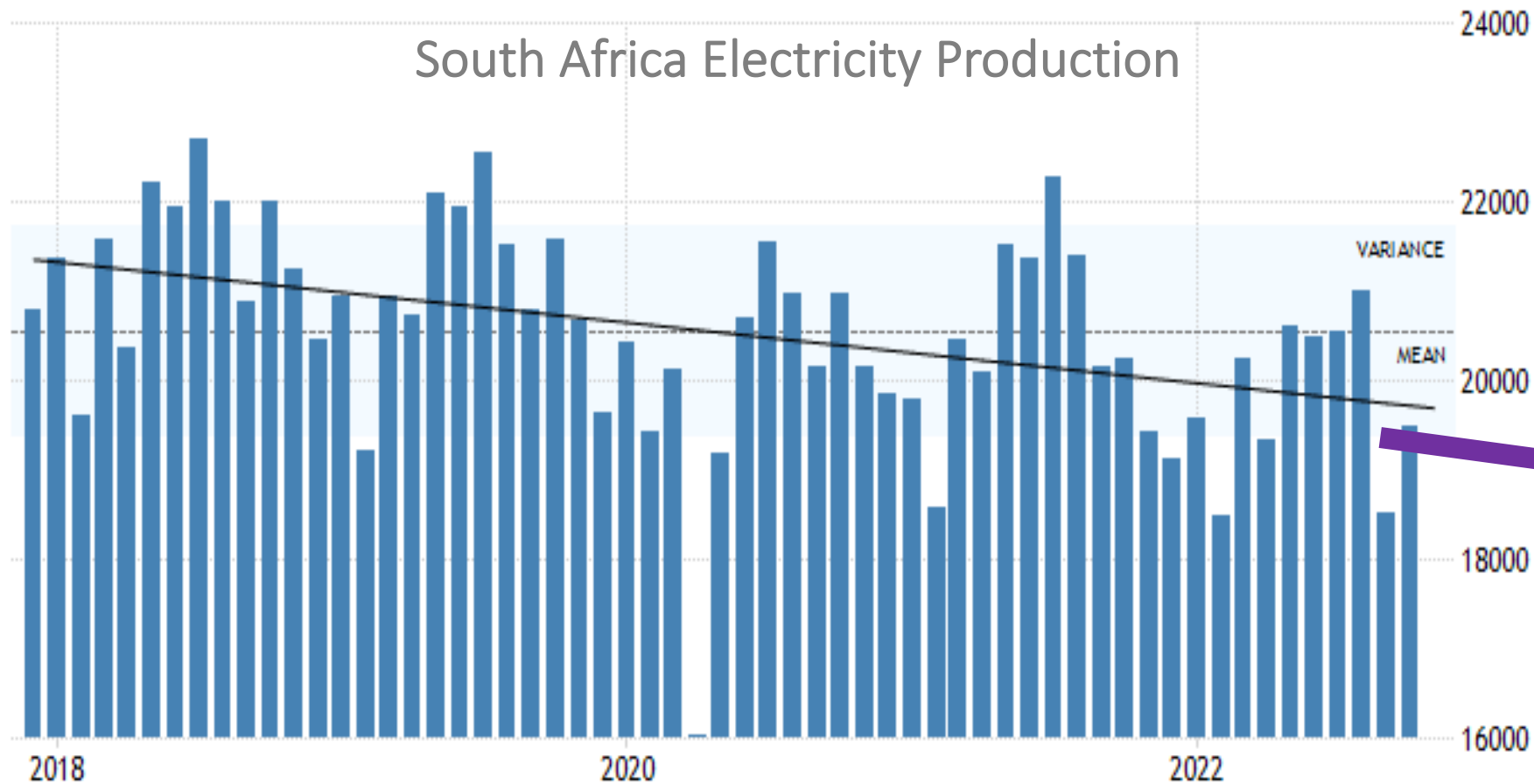
Over three quarters of respondents want the private sector to help provide key services

6. Can Government Get Its Finances in Order?



Financial controls are weak as the lack of clean audits by municipalities shows

7. Can We Produce the Energy to Grow?



TRADINGECONOMICS.COM | STATISTICS SOUTH AFRICA

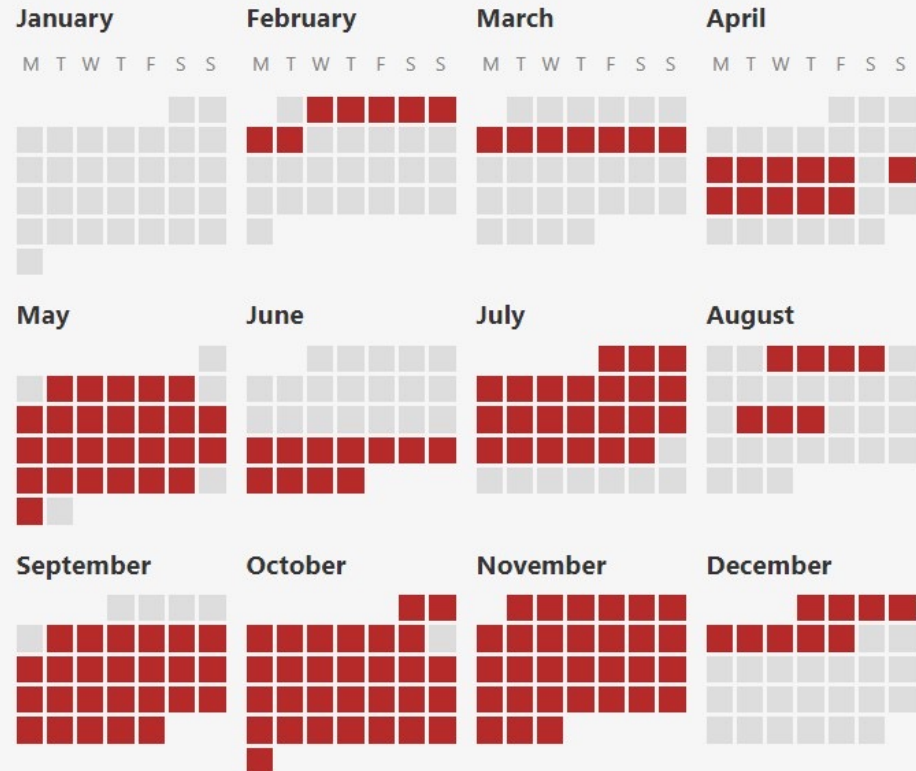
The energy deficit means load shedding and this places an estimated 2% cap on economic growth, all other things being equal

7. Can We Produce the Energy to Grow?



Loadshedding daze

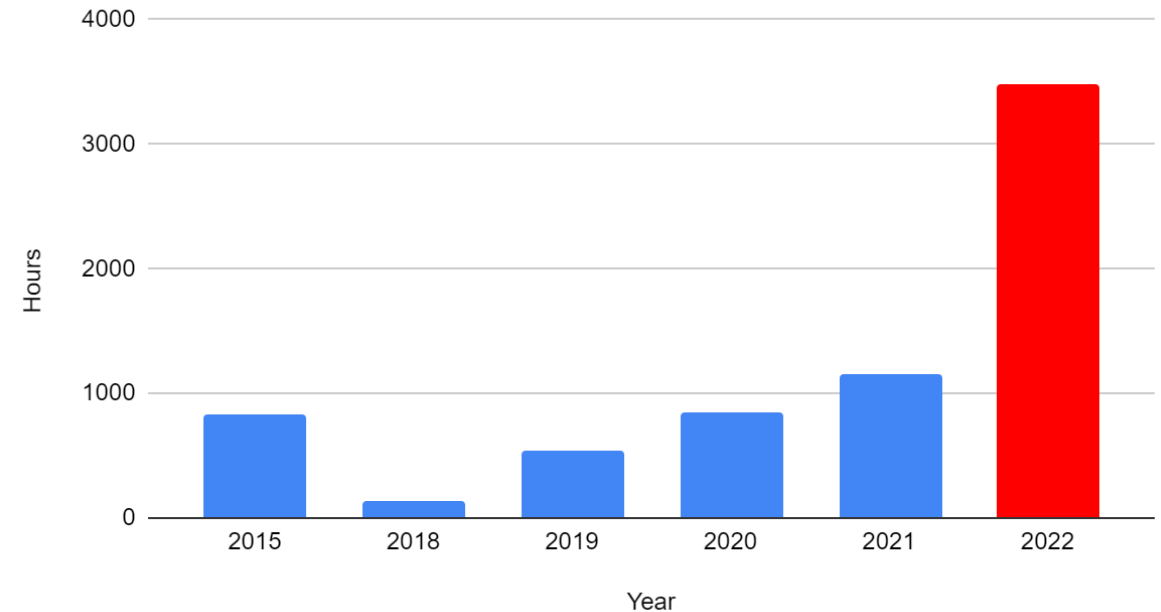
Days with loadshedding: 1 Jan - 9 Dec, 2022



Source: EskomSePush

THEOUTLIER.CO.ZA

Load Shedding Hours/Year

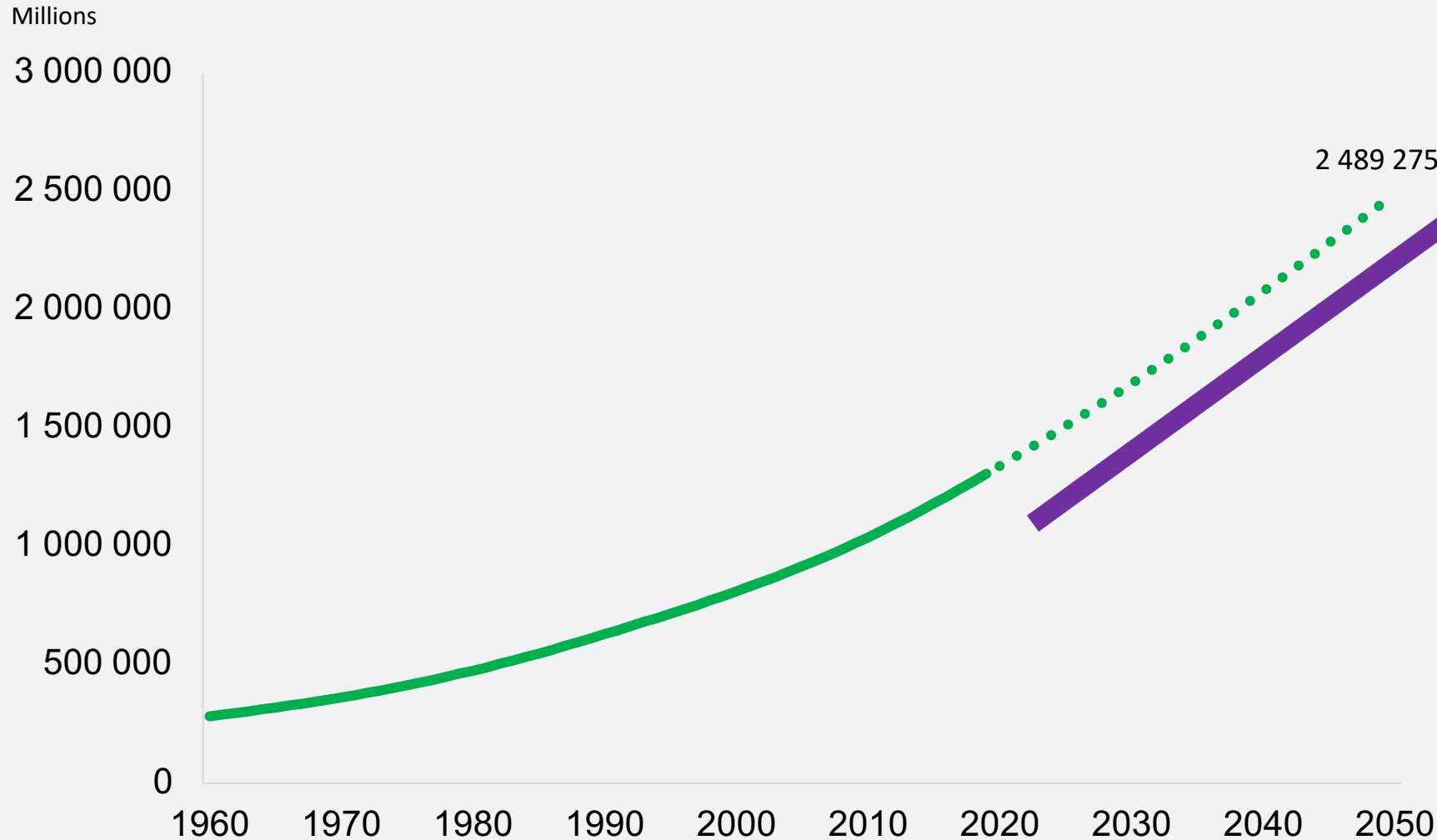


The rate of failure of Eskom's generation fleet is **accelerating** at a pace no-one anticipated

The background features a series of blue arrows with a textured, fabric-like appearance. The top row consists of four upward-pointing arrows of varying heights. The bottom row consists of four downward-pointing arrows of varying heights. A dark grey horizontal bar is positioned in the center, containing the title text.

The Effects of the African Context

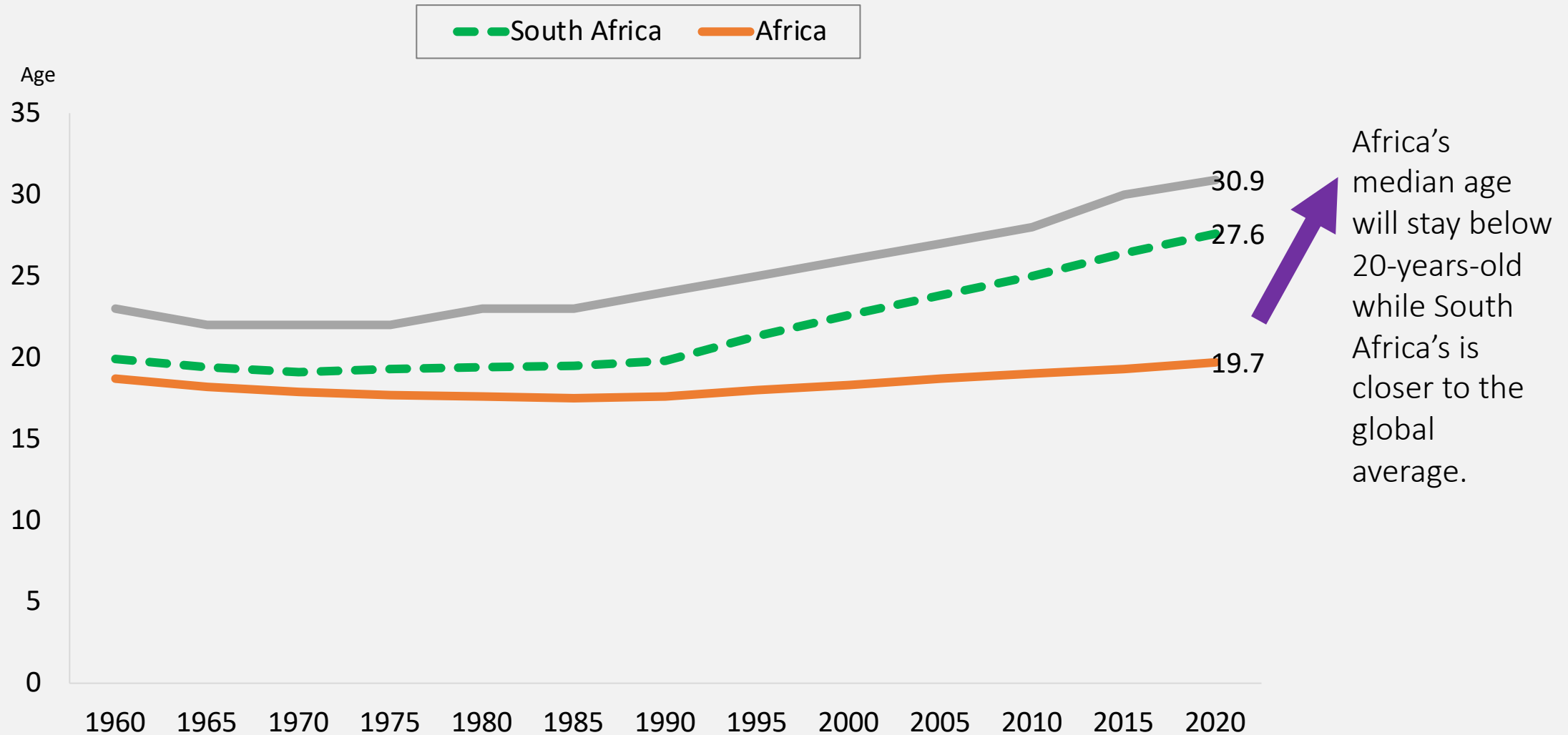
1. Exponential African Population Growth Looms



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



Source: United Nations; Worldometer

2. Three Drivers of Migration



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.

3. Africa's Dangerous Neighbourhood



Source: Global Conflict Tracker, Council on Foreign Relations, Updated August 1 2022

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

OPPORTUNITIES

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



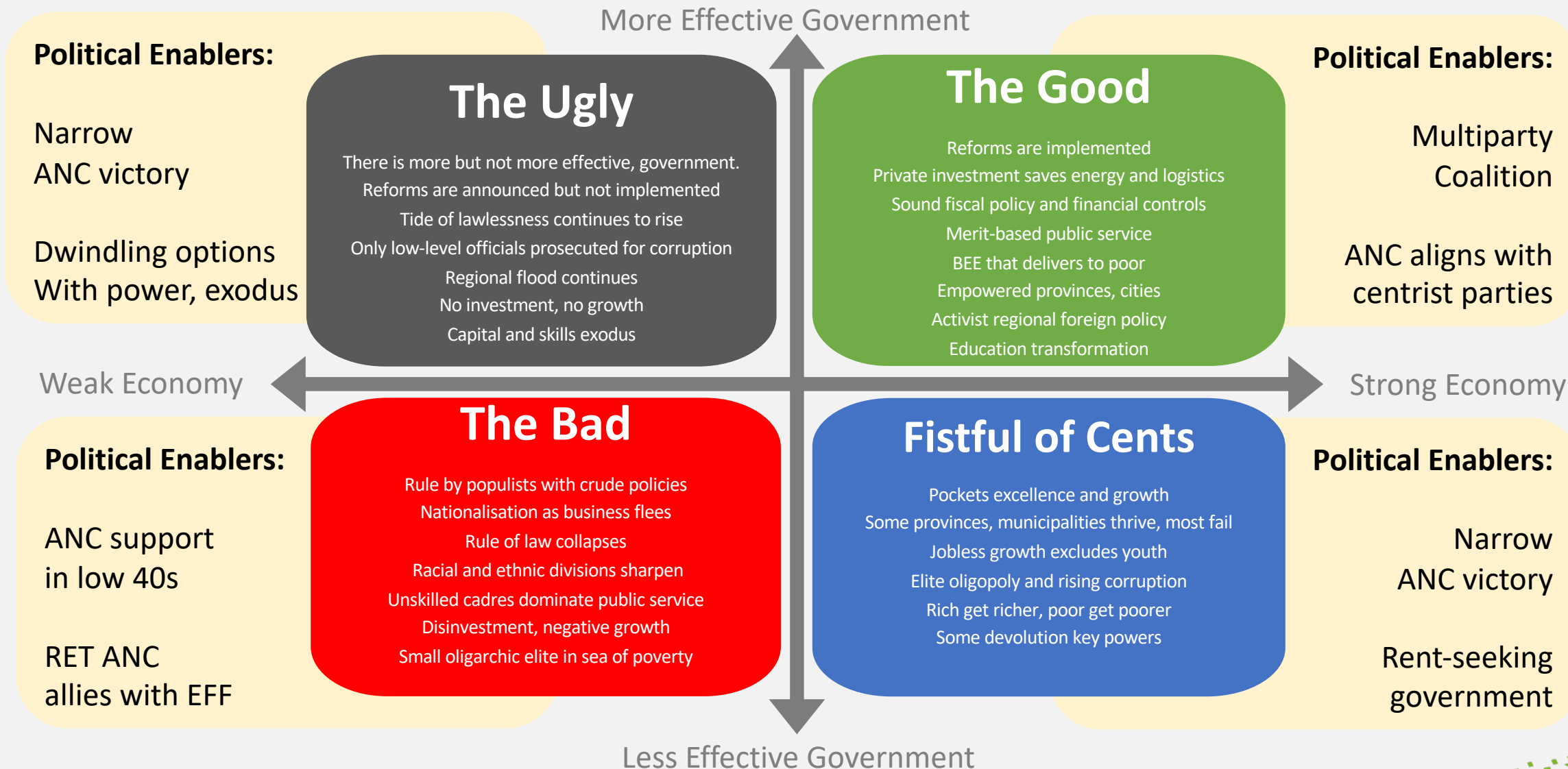
WEAKNESSES

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

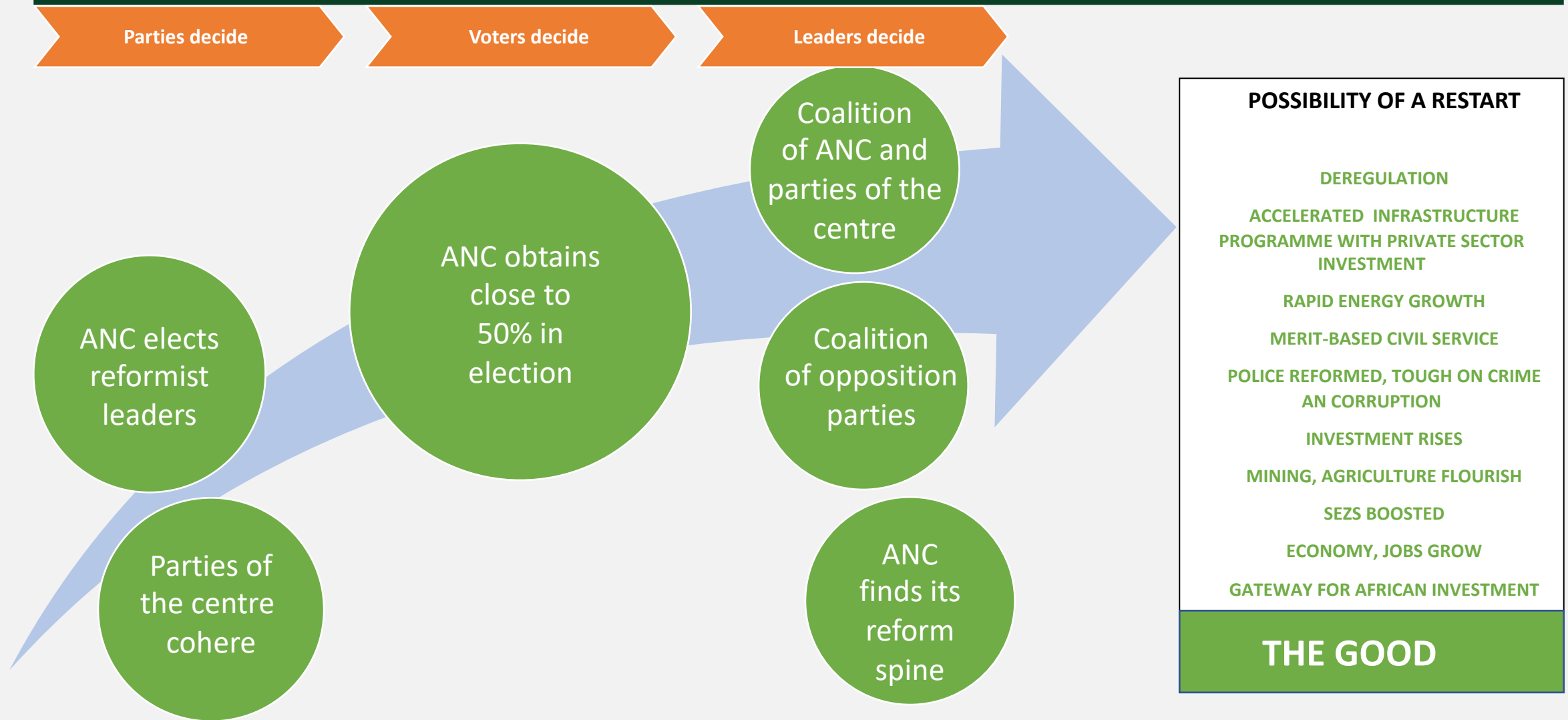
THREATS

- 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



3. The Good



4. The Bad



Parties decide

Voters decide

Leaders decide

RET faction
Dominates
ANC

ANC falls
to low 40%
in election

ANC – EFF
form RET
coalition

ROAD TO A FAILED STATE

MALEMA DEPUTY PRESIDENT

NATIONALISATION ANNOUNCED

RADICAL LAND PLAN

DEFIANCE OF CONSTITUTION AND
COURT JUDGEMENTS

COURTS HOLLOVED OUT

STATE LOOTED BY CRONIES

ALIGNMENT WITH AUTOCRATIC PARIAH
STATES

STATE VIOLENCE AGAINST DISSENT

RAPID DISINVESTMENT

RAPID WEALTH EMMIGRATION

THE BAD

5. The Ugly



Parties decide

Voters decide

Leaders decide

RET and
reformers
fight to a
standstill

ANC scrapes in
with a narrow
electoral
majority

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 ACCUMULTION BUT MIDDLE AND
WORKING CLASSES DECIMATED

EMMIGRATION OF WEALTHY, SKILLED

THE UGLY

6. Fistful of Cents



Parties decide

Voters decide

Leaders decide

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

ANC
leadership
divided

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

Weak
coalition
with small
parties

Extractive
splinter
parties band
together

**Developed by The
Brenthurst
Foundation and the
In Transformation
Initiative**

2022



**IN TRANSFORMATION
INITIATIVE**