

South Africa's Political Risk Profile in 2015: Premier League or Second Division?

(Research in progress)

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Framework for analysis (Prof. Albert Venter – 2005)

- Threatening neighbouring states, foreign policy environment
- Authoritarian measures to retain power
- Staleness of incumbency and leadership succession issues
- Legitimacy of government
- Military involvement in politics
- Social risk: terrorism, riots, religious fundamentalism
- Socio-economic conditions

Framework for analysis (Prof. Albert Venter – 2005)

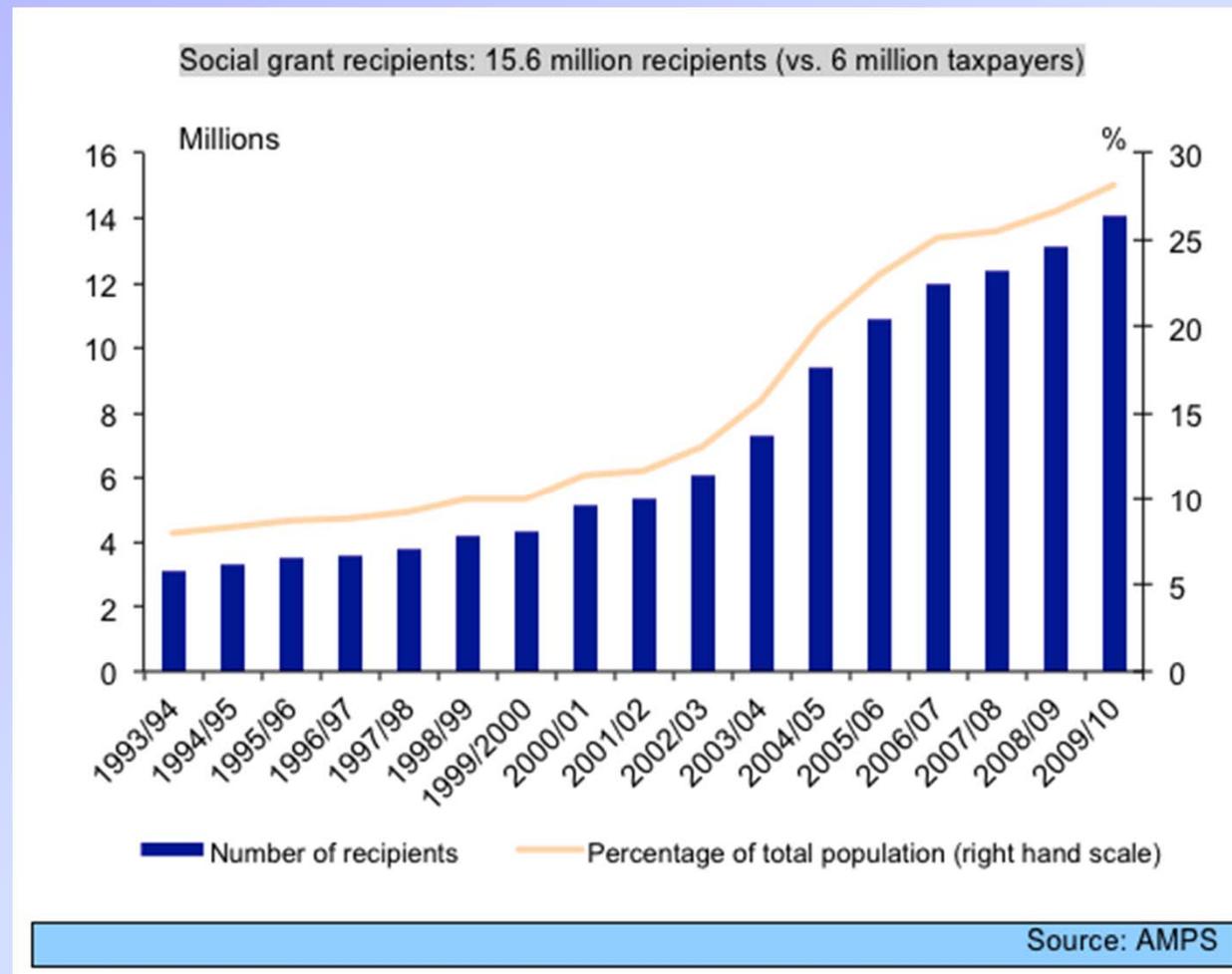
- Racial, ethnic, language and religious cleavages
- Trade union activism
- Safety and security
- Labour policy
- Macro political-economic circumstances
- Administrative (in)competence in government
- The security of private property

- SA = medium risk

The major (triple) challenges

- Poverty
- Unemployment
- Inequality

Poverty decreased since 2006 to 2011 from 57% tot 46%, but...

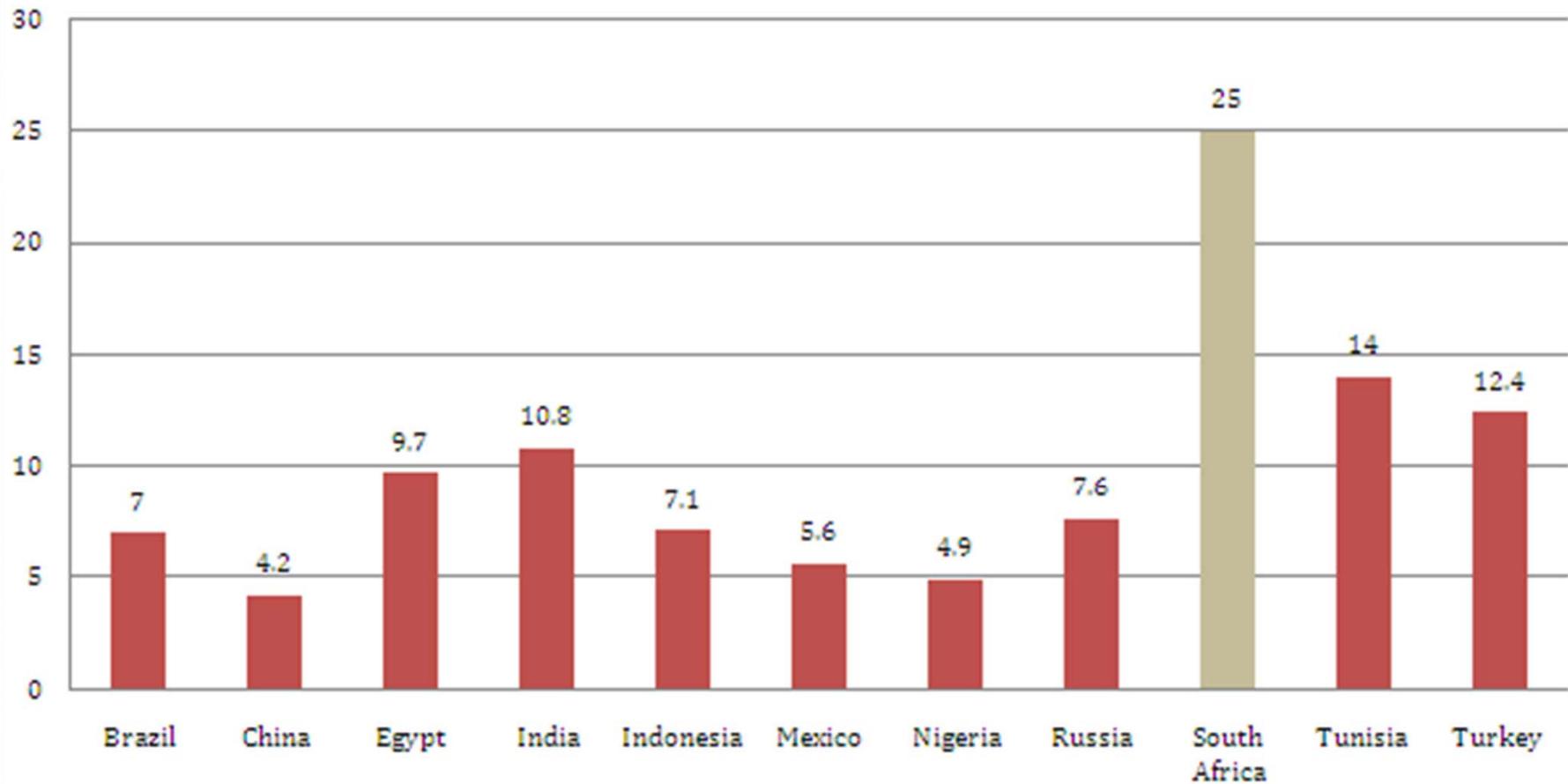


Unemployment

- Unemployment Rate in South Africa increased to **25.20%** in the first quarter of 2014 from 24.10% in the fourth quarter of 2013.
- Unemployment Rate in South Africa averaged 25.26% from 2000 until 2014, reaching an all time high of 31.20% in the first quarter of 2003 and a record low of 21.50% in the fourth quarter of 2008.

Global unemployment rates

Source: CIA World FactBook



Unemployment → education

Highest level of education attained among persons aged 20 years and older - Census 2011

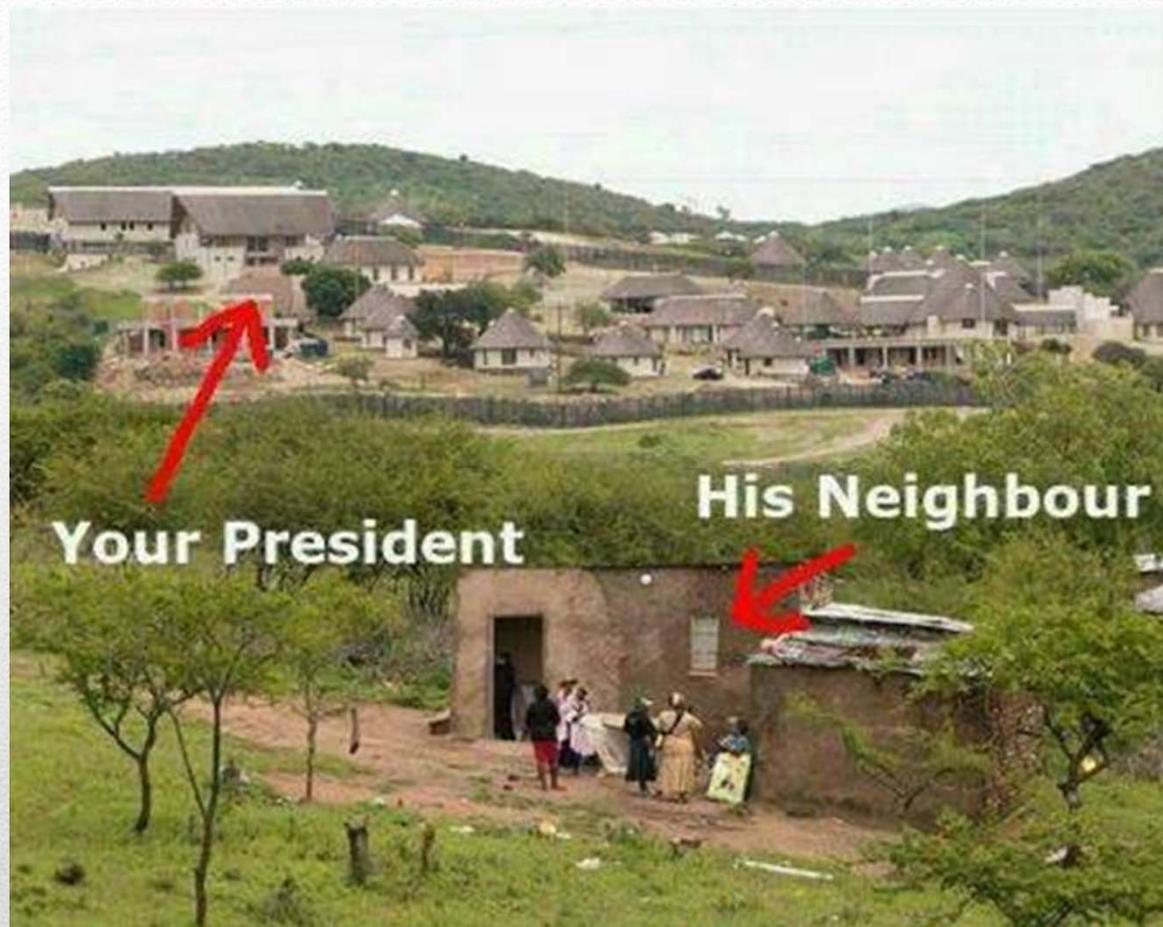
❖	No schooling:	8,6%
❖	Some primary:	12,3%
❖	Completed primary:	4,6%
❖	Some secondary:	33,9%
❖	Gr12/Std 10:	28,9%
❖	Higher:	11,8%

Inequality

The wealth differential between rich and poor (notable imbalance in income distribution) in South Africa is one of the steepest in the world... *but* much of the problem relates to the divide between those who have work and those without work.

... for the next 20 to 30 years, this black middle class market is going to expand further. Aside from contributing to economic growth, the rise of the black middle class shows a movement towards the normalisation of the society.

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- We have a (robust) democracy.
 - The media are diverse and freer from legal restrictions that in most societies.
 - The rule of law still reigns supreme and the judiciary is independent.
 - We have a vibrant civil society.
 - Our faith communities are still strong and there is an almost complete absence of religious intolerance.
 - Our IEC is largely/predominantly staffed by efficient men and women.



Pres. Jacob Zuma: "Because they (the media) have nothing to say, they spent more than a year addressing my homestead Nkandla. There's nothing wrong with Nkandla, there's everything wrong with them".

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- We live in a substantially healthier economic landscape today than we did before 1994.
 - Fiscal management since 1994 has been exemplary: the Treasury, SARS and Auditor-General are strong credible institutions.
 - The Public Protector is scrutinising government administration when actions come into question.
 - Our top five universities are among the top 500 universities in the world.



Most citizens continue to support the goal of national unification, despite strong associations with identity groups based on language, ethnicity and race.

Institute for Justice and Reconciliation,
SA Reconciliation Barometer Survey 2011 & 2013

Another positive social factor

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Global Competitiveness Index: SA ranked 53th/148 in 2013/14

Variables relating to the private sector

- Strength of auditing and reporting standards 1
- Efficacy of corporate boards: 1
- Availability of financial services: 2
- Soundness of banks: 3
- Efficient market for goods and services: 28
- Capacity for innovation: 33
- Business sophistication: 35

Global Competitiveness Index: SA ranked 53th in 2013/14

Variables relating to the public sector

- Wastefulness of government spending: 79
- Number of days to start a business: 82
- Reliability of police services: 96
- Lack of public trust in politicians: 98
- Diversion of public funds due to corruption: 99
- Security: 109
- Favouritism in decisions of public officials: 120

Global Competitiveness Index: SA ranked 53th in 2013/14

Two areas associated with risk: education & labour

- Internet access in schools: 116
- Quality of primary education: 133
- Quality of the educational system: 146
- Quality of maths and science education 148

- Labour market efficiency (rigidity): 116
- Pay and productivity: 142
- Flexibility of wage determination: 144
- Cooperation in labour-employer relations: 148

- ❑ Of all the socioeconomic challenges South Africa faces, **unemployment** is the most dispiriting in the short term, and potentially debilitating in the long term. Even gloomier is that SA's jobless crisis is acute in the **15-34 age** cohorts.
- ❑ If we cannot get the **basic functions of government** working, what makes us think we can create public enterprise models that can compete with the best private enterprises in the world?

Mark Cutifani

Anglo American

Most serious risks?

National Development Plan – a good plan on the table, however...

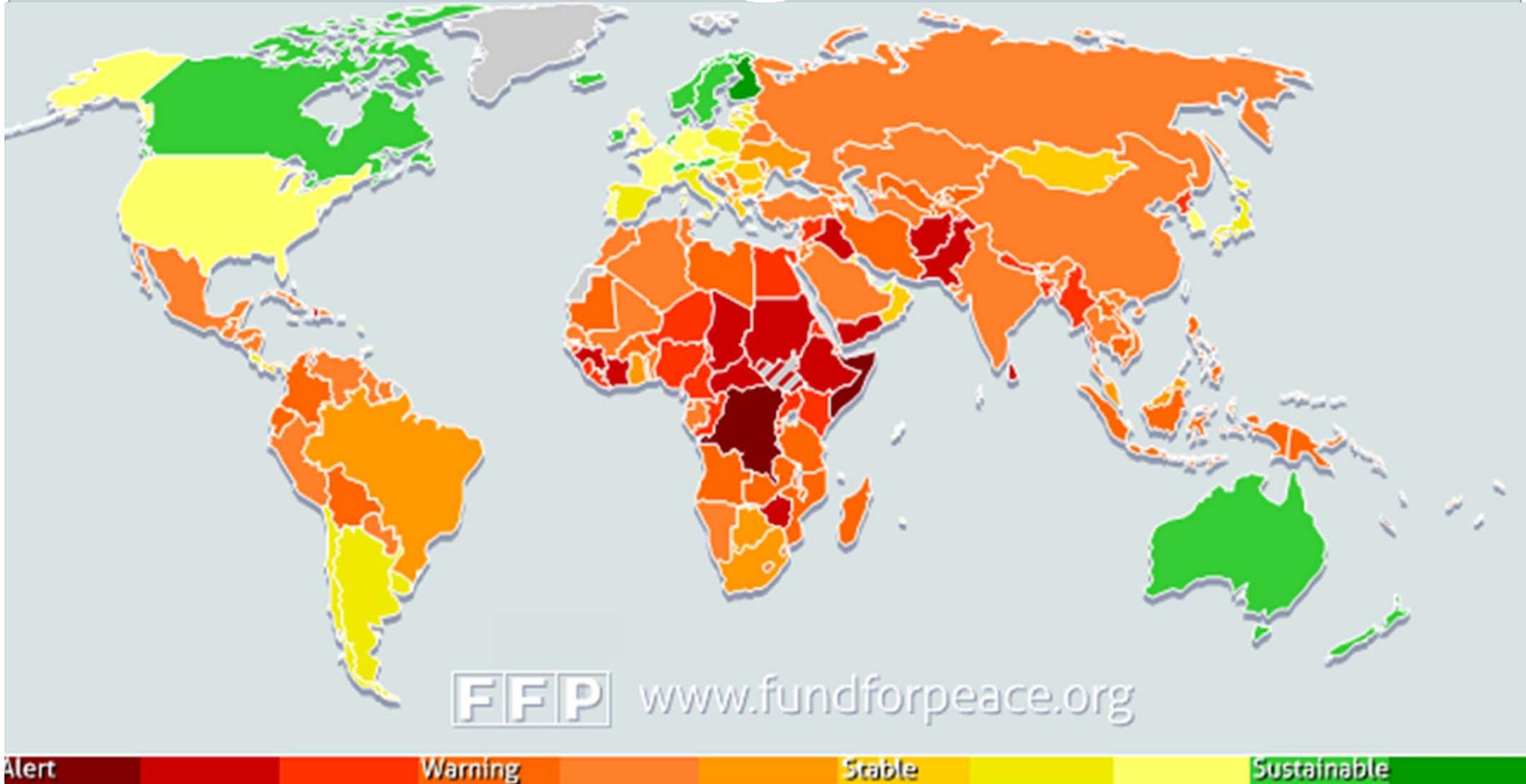
“There is a veiled opposition to the NDP from them (Cosatu and the SACP), and they are creating serious doubt in the private sector about the government’s commitment to the NDP. And while this doubt exists, the private sector will not invest in it.”

Sandile Zungu

Vice-President of the Black Business Council

MediumRisk?

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Any change in SA's risk profile since 2005?

- Crippling and damaging strikes;
- Institutional turbulence in key institutions (NPA; SARS; Hawks);
- Poor leadership at top level & more evidence of patrimonial networks;
- Growing fiscal dept;
- Little increase in the number of people employed since 2005;
- Evidence of growing corruption;
- Insufficient power supply and weak parastatals;
- Violent service delivery protests a common phenomenon.

SA in 2015: still medium risk, but higher medium risk than in 2005.