

South African scenarios 2024

Politics, violence and growth in the rainbow nation

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Summary

South Africa may experience a political turning point in the aftermath of the December 2017 National Conference of the ruling African National Congress. Building on an associated publication, *Economics, governance and instability in South Africa*, this paper describes three different futures for the country. The first scenario is an uninspiring and business-as-usual *Bafana Bafana* scenario, an alarming downward scenario called *Nation Divided*, where the 'traditionalist' camp within the ruling party holds sway, and a desirable *Mandela Magic* scenario, where 'reformists' triumph and begin to address some of the country's most pressing challenges. A related policy brief, *Rainbow at risk*, presents recommendations.

THIS PAPER PRESENTS three different political, economic and social scenarios for South Africa to 2024. It is one of three publications on the future of South Africa released simultaneously by the Institute for Security Studies (ISS) that include an analysis of governance, economics and stability in the rainbow nation¹ and a summary of broad policy recommendations that draws on the work of the African Futures and Innovation programme at the ISS.²

We retain and build on the three scenarios used in previous South African futures work, namely, *Bafana Bafana* (the most likely pathway), *Mandela Magic* (a possible desirable future), and *Nation Divided* (the downside scenario), as useful alternatives for thinking about the future. Inevitably, reality will not unfold as we describe and is much more complex than presented in these pages.³

South Africa is a complex country and, just as few foresaw the transition from white minority control to democracy some three decades ago, we do not claim the ability to predict the future. These are turbulent times for the country, with the potential for divergent outcomes.

In the **Bafana Bafana** scenario, the South African economy remains firmly stuck in a middle-income trap, accentuated by policy vacillation, investor uncertainty, poor political management and bad implementation. Traditionalists and reformers are at each other's throats within the ANC in an ongoing tussle for control over state resources.

Various options could lead to **Mandela Magic**. The first is that the reformers emerge victorious from the December 2017 ANC National Conference and adopt policies that allow for a restructuring of the economy to unleash pent-up growth potential. Alternatively a 2018 split in the ANC could result in the formation of a new party of interesting alliances (particularly in Gauteng) that could sharply change national and provincial election outcomes in 2019.

The **Nation Divided** scenario is one where the traditionalists triumph during the December 2017 ANC National Conference, possibly resulting in a split in the party and the emergence of coalition politics much earlier than in any other scenario. In the long run, this is the worst-case scenario for the ANC and the country (which experiences sustained low growth).

The scenarios that follow are intended to open up thinking about the fluidity of the current situation in the hope for much greater creativity and courage if South Africans are to collectively build a more positive future.

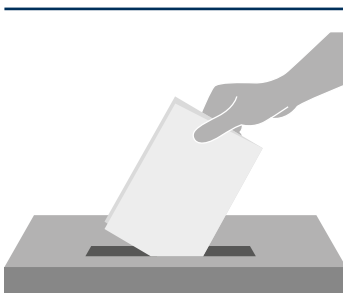
Important milestones on the road to 2024

The time horizon for this paper, and its forecast on possible election outcomes, is 2016 to 2024, concluding with the national and provincial elections scheduled for 2024.

A number of key milestones during this time horizon will contribute to raising the political temperature in South Africa: the municipal government elections scheduled for August 2016; a possible international investment rating downgrade towards the latter part of 2016 or early in 2017; ongoing muted economic growth; and the election of a new president of the African National Congress (ANC) in December 2017 (or earlier, should President Jacob Zuma step down in response to the growing number of calls for him to do so).

The national and provincial elections scheduled for 2019 and 2024 are two points at which we'll see begin to see the impact of generational change on voter behaviour as the country becomes better educated and more urban. A larger cohort of 'born-free' voters (born after elections in 1994), unencumbered by the personal experience of apartheid, will change election outcomes at greater volumes each year. These voters are more likely to demand a future in which political parties support and enable economic growth and well-being rather than one that echoes the sentiments of the Freedom Charter and other movements which, despite their historical importance and inspirational character, appear increasingly distant in a consumer-driven era of interconnectivity and globalisation.

These are also voters who are impatient for change and, since a large portion will remain poor and without jobs, the potential for their attraction to populist policies and politicians could see radical politics and violence increase.



'BORN-FREE' VOTERS
WILL CHANGE ELECTION
OUTCOMES AT GREATER
VOLUMES EACH YEAR

Developments in the ANC are key⁴

In the period to 2024, the most important determinant of South Africa's development and stability will be developments within the ANC rather than the interaction between the ANC and other parties. The defining moment in this regard will likely be the next National Conference, when the ANC branches in good standing with the organisation will elect the 86-member National Executive Committee (NEC), including the "top six": the president, deputy president, national chairperson, secretary-general, deputy secretary-general and treasurer-general. The five-year term of office of the current NEC (the highest organ of the ANC which, together with the National Conference, is responsible for leading the organisation) concludes on 16 December 2017, having started its term in 2012 at the 53rd National Conference in Mangaung.

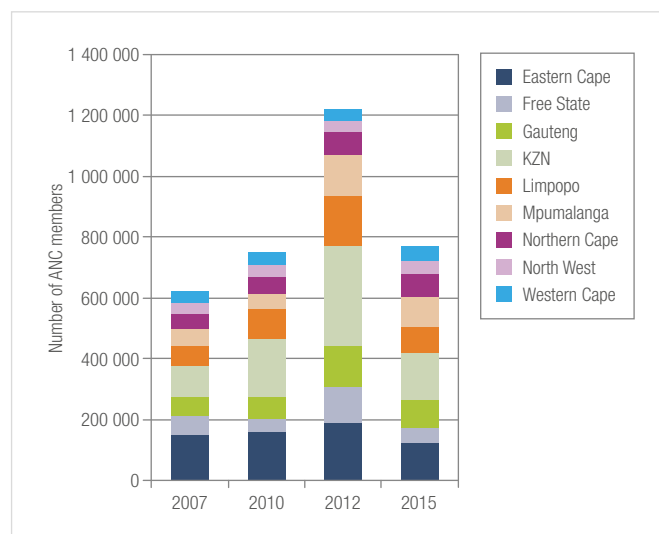
Although not stated as such in the ANC's constitution, there is general agreement that the ANC president should serve no more than two terms of office, making it unlikely (but not impossible) that President Jacob Zuma will vie for a third term.⁵ Inevitably, the president of the ANC will become the president of South Africa – while the ANC occupies more than half the 400 seats in the Assembly.

South Africa has a long history of turbulent and disruptive leadership transitions. Each transition (such as from PW Botha to FW de Klerk, and Thabo Mbeki to Jacob Zuma) has been important in setting the country on a particular trajectory with long-term implications. Looking ahead, the events and decisions leading to choosing a successor to the current president in December 2017 will determine the country's longer-term stability and growth prospects, as they will define the policy orientation and the coherence of the governing party. Much as the Democratic Alliance (DA) and the Economic Freedom Fighters (EFF) are increasingly important players in the country, developments within the ANC remain central to the future of South Africa.

It is not possible to speculate on the possible outcome of the December 2017 meeting without extensive fieldwork;⁶ however, all 86 appointments will be heavily contested and the victor(s) will be determined by branches of the ANC accredited to vote at the National Conference. Similar to the events that culminated in the ousting of former President Thabo Mbeki at the 2007 National Conference of the ANC in Polokwane, the amount of preparatory work at branch level by the different slates vying for support will prove decisive.⁷

At the local level, ANC membership numbers are declining. The figures revealed at the 2015 General Council Meeting indicate that absolute membership numbers were down to the levels seen in 2010 (with KwaZulu-Natal now accounting

Figure 1: Paid-up ANC membership



Source: ANC

for 21% of the national figure, up from 16% in 2007). Since 2010, KwaZulu-Natal has the largest number of paid-up ANC members within the organisation, as depicted in figure 1.

Writing in the *Daily Maverick*, Ranjemi Munsamy summarises the current situation: 'The ANC is shrinking in Zuma's favour, with people who are disillusioned or in opposing factions becoming inactive or turning against the party. Those loyal to Zuma dominate party structures and are also the dominant voices speaking for the party.'⁸ It was therefore no surprise that it was in KwaZulu-Natal that the first blood was drawn in preparing for the 2019 national elections, when the KwaZulu-Natal premier Senzo Mchunu (an opponent of President Zuma) was forced to step down in May 2016 in the ANC's most influential province.⁹

For the purposes of this paper we adopt the terminology of "traditionalists" and "reformers" as shorthand for the two dominant and competing ideological strands within the ANC. Although this characterisation is an oversimplification of the complex machinations in the ANC's big tent, it serves as a reference point for discussing the manifold divisions and factions at national level in the ANC.

These two groups are currently involved in an increasingly public battle for control of the levers of power and state-owned companies, key institutions such as the National Treasury and South African Revenue Service (SARS) as well as senior government appointments.

Because South Africa is increasingly a patrimonial state in which loyalty is rewarded, the socially conservative traditionalists would prefer that the current president complete his full presidential term to 2019. They are also probably keen to ensure his successor will be in line with an ANC that maintains

the government's black nationalist orientation in order to perpetuate the policies and practices that have benefited a large circle of family, friends and business associates through state procurement and government appointments to senior positions. Simultaneously, there are other contrasting and overlapping agendas on the road to a choosing new president, such as the intention to protect Zuma from criminal prosecution, described in more detail in the following section.

Traditionalists – rural, black nationalist, socially conservative, loyal to Jacob Zuma, dominated by Zulus, strong commitment to a centralised state, redistributive policies and not constitutionalists.

Reformers – social democrats, typically urban, include larger segment of born-free voters with jobs, multi-ethnic, believe in a mixed economy and the importance of inclusive economic growth, Gauteng ANC and others.

The traditionalists include groups who were originally concerned about the damage that could be done to their interests should Zuma step down before the national or provincial elections in 2019. As Zuma becomes an increased liability for the party, attention is now moving towards identifying and electing a suitable successor.

For many in the opposition parties and among reformers, Zuma personifies all that is wrong with South Africa

The traditionalists therefore constitute a large group that is socially conservative and generally subscribes to a nationalist or socialist economic pathway. This is a group that has benefited materially from South African politics. For these reasons, traditionalists are strongly committed to open-ended efforts at black economic empowerment, with no envisioned time limit on the use of state resources, to benefit a specific ANC elite.

Key among the traditionalist group are the president himself, leaders of the three largely rural provinces under ANC control (Free State, Mpumalanga and North West) – referred to by policy figures as “the Premier League” – as well as a large faction from KwaZulu-Natal (the province where the traditionalists recently gained ascendancy with the removal of Senzo Mchunu as premier and appointment of Willie Mchunu). It also includes potential presidential aspirants such as the speaker of the National Assembly, Baleka Mbete.¹⁰

Opposing the traditionalists is a growing educated, largely urban (and multi-ethnic) group that is increasingly dissatisfied with

the current political and economic trajectory – the reformers. Some of the members of this group find themselves outside the current patronage circle and are motivated by the desire to shift the allocation of state resources closer to home.

Key among these would be the largest part of the ANC in the Gauteng province (who face the most likely threat of losing their majority, positions and influence to the opposition), the Eastern Cape (who lost out when the previous Xhosa influence in the ANC was replaced by Zulu) and minorities in a number of other provinces. This group is generally associated with the current minister of finance, Pravin Gordhan, and the most likely successor to President Zuma, the current deputy president Cyril Ramaphosa. The reformers are largely committed to inclusive economic growth as the driver of future empowerment.

In the intensifying political competition for leadership within the ANC, alliances and support networks are constantly evolving, as have some of the political concepts used to describe them. For example, the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU), which were both actively in favour of ousting Thabo Mbeki and of his early replacement by Jacob Zuma, now support Ramaphosa. Ramaphosa is generally considered to be in ideological support of the “1996 class project” (a phrase assigned to some of Mandela and Mbeki's economic efforts), purportedly in pursuit of a neo-liberal, pro-market agenda. The 1996 class project stands in opposition to efforts towards the “national democratic revolution”, a phrase used by various factions within the ANC for different purposes and with different meanings, that is intended to convey an intent to undertake “radical economic transformation” although the same phrase has also been used to refer to the implementation of the purportedly market-friendly National Development Plan, the country's official strategic development plan.

At the heart of all of these concepts and approaches to governance is the quandary of how to improve the livelihoods of the majority of (black) South Africans who make up the lower and unskilled classes. This is essentially a choice that can be captured in the phrases “redistribution through growth” and “growth through redistribution”, the former associated with the reformers and the latter with traditionalists.

It's not all Zuma's fault

For many in the opposition parties and among the reformers, Zuma personifies all that is bad and wrong with South Africa (and within the ANC). Most critics forget the distaste that had built up against President Thabo Mbeki towards the end of his second term. Leading South Africa is no easy task, as the successor to Zuma will inevitably discover. There is, however,

no doubt that the current president has become a liability to the ANC due to a litany of unethical behaviour, poor decision-making and proclivity to self-enrichment. Zuma is undoubtedly the most useful recruitment machine for the opposition parties, the DA and EFF in particular. In fact, the longer he remains in power the better these parties are expected to do in the polls, a trend that is reflected in our forecasts.

Much of the economic malaise afflicting the country is actually beyond the control of Zuma, who came into office at a time when the tailwind of global economic growth that had bolstered South Africa's economy turned into an unrelenting headwind. The South African economy shed 1.1 million jobs in the two years after the local recession hit in the fourth quarter of 2008. It took the economy nearly five years to regain those lost jobs and reach pre-recession employment levels.

Zuma maintains a disinterest in economic policy, and a disdain for investor predictability and the need for policy stabilisation

As a result, unemployment continues to grow and, according to the narrow definition of unemployment,¹¹ increased from just over 4 million people in the fourth quarter of 2008 to 5.2 million people in the fourth quarter of 2015.¹² The Quarterly Labour Force Survey for the first quarter of 2016 recorded an increase in unemployment to 26.7% although, as the public version of the cabinet meeting of 11 May 2016 pointed out, 'on a quarter-on-quarter basis, 2016 employment levels are higher by 204 000 employed people when compared with the first quarter of 2015'.¹³

To add to its economic woes, South Africa has recently experienced one of the worst droughts in several decades, attributed to the global climatic phenomenon El Niño. As a result, the entire agricultural sector has contracted, exports have plummeted, food imports have risen sharply, and the drought shaved off at least 0.2% from year-on-year growth in 2015. The World Bank estimates that about 50 000 South Africans slipped into poverty due to the drought, with agricultural households carrying most of the burden, particularly in Mpumalanga, Limpopo, the Eastern Cape, Northern Cape and North West.

Another recent challenge is the impact of the economic slowdown in China, now South Africa's most important trading partner after the European Union. Slower growth in China gravely affects demand for South African exports, especially for iron ore and concentrates, chromium ore, ferroalloys, platinum and manganese, which together account for more than 60% of South African exports.¹⁴ Having hitched its fortunes to the BRICS countries (Brazil, Russia, India, China and South Africa), South Africa is now paying a price.

But, even when all such extraneous factors are taken into consideration, it is apparent that President Zuma maintains a disinterest in economic policy, and a disdain for investor predictability and the need for policy stabilisation. Indeed, his vernacular pronouncements to an exclusively ANC audience point to a lack of conviction in the constitutional democratic project.¹⁵ His personal choices, such as a polygamist lifestyle, the inability to manage his personal finances, and his use of state resources for private gain have sullied the reputation of the president and that of the ANC.

The overriding preoccupation of the Zuma presidency has been tactical rather than strategic and is largely concerned with securing personal support within the ANC

50 000

THE NUMBER OF SOUTH AFRICANS THAT HAVE SLIPPED INTO POVERTY DUE TO DROUGHT ACCORDING TO WORLD BANK ESTIMATES

(mainly by appointing loyalists to positions of influence in government and state-owned enterprises) and its alliance partners. This was initially expected, in part since Zuma came to the position of presidency with little to offer in terms of policy or new ideas, except a burning desire to oust Thabo Mbeki and protect himself from an allegedly politically inspired prosecution on a host of corruption charges. The result is a regularly changing (and exceptionally large) cabinet that pays lip service to the vision of the National Development Plan, numerous policy contradictions (such as on visas, management of state-owned enterprises and industrial policy) and a government that is constantly having to defend the office of the president from one ethical and moral lapse after the other.¹⁶ All of these preoccupations sap energy from a party that finds itself consistently embroiled in a public, private and legal rearguard action to clean up after the president.

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The South African president is elected by majority vote in the National Assembly. Therefore, any party that obtains more than 50% of the 400 seats in the Assembly is bound to have its candidate elected as president of the country. The election of the South African president can occur at any point when there is a vacancy and is therefore not bound by the schedule of national elections that occur every five years. The president may serve a maximum of two terms but ‘when a person is elected to fill a vacancy in the office of the President, the period between that election and the next election of a President is not regarded as a term’.¹⁷ It is therefore possible for an earlier meeting of the National Conference to convene and choose a new president of the party and to have that person elected as president by the National Assembly.

Other than voluntarily stepping down, the president can also be removed by a two-thirds vote in the National Assembly on the grounds of ‘(a) [a] serious violation of the Constitution or the law; (b) serious misconduct; or (c) [the] inability to perform the functions of office’.¹⁸ In its findings on 31 March 2016 on the use of public money for security upgrades at the Nkandla private homestead of the president, the Constitutional Court delivered a unanimous finding that Zuma had failed to ‘uphold, defend and respect’ the Constitution.¹⁹ During the subsequent vote on impeachment in parliament that was brought by the DA, it was only the majority of the ANC in the National Assembly that saved the president from what would have been a sure removal from office under other conditions.

To add to his woes, a few days later the North Gauteng High Court in Pretoria found that the 2009 decision to drop more than 700 charges of fraud, racketeering and corruption against the president, dating from 2009, was irrational, a decision that opened the door to prosecution by the National Prosecuting Authority (NPA). Zuma subsequently announced that he would appeal the decision, an expected response that will significantly delay any possible prosecution.²⁰

Compounding the economic challenge, the government’s institutional checks and balances – one of the country’s major successes since 1994 – are being eroded as factions within the ANC fight for control over key institutions such as the Hawks, the



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National Prosecuting Authority, the Treasury, the Reserve Bank and various state-owned enterprises. Both the judiciary and the Public Protector have come under sustained attack but have maintained their independence. Reflected in the accompanying paper on *Economics, governance and instability in South Africa*,²¹ the effectiveness of the security agencies has also suffered due to the appointment of loyalists to key positions as part of the effort to protect the president from prosecution. The impact has been such that, despite the massive resources available to the police and numerous precedents, they were unable to prevent or at least limit the damage to public property during the recent destruction of schools as part of the protest against the redrawing of municipal boundaries at Vuwani, in Limpopo province, in May 2016.

The actions (and lack thereof) of the Zuma administration have compounded the impact of external and other developments, thus lowering growth, increasing poverty and reducing social cohesion. South Africa is a laggard in a region that is expected to be among the most rapidly growing globally, as well as among its upper-middle-income peers globally.

Election trends

The share of the electoral vote won by the ANC in the last two elections points to declining public confidence in the party. We expect this trend to continue under all scenarios – Bafana Bafana, Mandela Magic and Nation Divided – first during the local government elections in August 2016, then in the 2019 and 2024 national/provincial elections. In the country's last general elections in 2014, the ANC won 62.2% of the electoral vote, while the DA secured 22.2% and the EFF 6.4%.²² This marks a steady if unspectacular decrease in ANC public support, which peaked at 70% in 2004. Perhaps the starkest marker of the decline of ANC support is found not so much in its percentage-of-vote share but in the declining numbers of voters turning out to vote for the party.²³

At a provincial level, the ANC experienced the largest drop in support in Gauteng, Limpopo and Mpumalanga in 2014, and to a lesser extent in the North West province. The DA increased its support base nationally and in every province, doing particularly well in the Northern Cape, Western Cape, Gauteng and Eastern Cape. Provincially, the ANC is most vulnerable in Gauteng, which is South Africa's population and economic hub. The province has 24% of the country's total population and is responsible for 34% of its gross domestic product (GDP). The gap between ANC support (54%) and support for the DA (31%) in Gauteng is large, but the 2019 provincial election results could see the ANC dip below the 50% mark, requiring the party to consider entering into a provincial alliance with another party. 2019 could therefore see the start of a new era of coalition politics in South Africa.²⁴

We believe that Gauteng could serve as a tipping point for national support levels for both the ANC and the DA. Once the ANC loses Gauteng, it will find itself essentially a rural party and its future support could slip quite dramatically, particularly if the relatively higher decline in ANC turnout in rural provinces (as opposed to more urban provinces) continues.²⁵ If the DA does not win Gauteng by 2024, the party is most likely to have plateaued in support and will have to accept a future as a desirable coalition party but not as a government-in-waiting. This is, however, only likely to become clear during the 2021 local government and subsequent 2024 national elections.

Public perception data supports the decline in public trust in the governing ANC. Afrobarometer 2015 data indicates that levels of public dissatisfaction with government performance, particularly in the Executive, is at its highest level since 2000. Only one-third of South Africans say they trust President Zuma "somewhat" or "a lot", a drop from the two-thirds positive response to the same question in 2011.²⁶ This dissatisfaction extends beyond Zuma to citizen confidence in key governing institutions: the 2015 Victims of Violent Crime Survey suggests that 46% of the population is dissatisfied with the performance of the courts. Afrobarometer data also shows that Indians, whites and, to a lesser degree, coloureds feel increasingly discriminated against by the government, while blacks are much more positive in their assessment of this. These sentiments have doubled on average since 2006.²⁷ The growing anti-Zuma protest movement, as discussed in *Elections, governance and instability in South Africa*, is also indicative of the growing impatience with the president.

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Finally, we expect continued voter apathy. Disillusionment with the ANC will probably see a continued reduction in voter participation during the August 2016 local government elections, and in 2019 and 2024.

Although local government election results are a poor indicator of national trends, the results in City of Johannesburg, Tshwane and Nelson Mandela Bay will be closely watched in August 2016 as a precursor to the 2019 provincial and national elections.²⁸

During the 2014 national elections the ANC received 54.9% of the provincial vote in Gauteng, followed by the DA with 18.5%

and the EFF with 10.3%.²⁹ An analysis of the votes at the level of the metros indicates that, in Tshwane, the ANC took 49.3% of the vote in 2014, followed by the DA with 33.8% and the EFF with 11.5%. Voter registration in the north of the city, where Tshwane borders Limpopo (and the EFF has its largest support base), was poor. Here, the ANC and the DA are expected to gain roughly the same support, opening the door to interesting alliances.³⁰

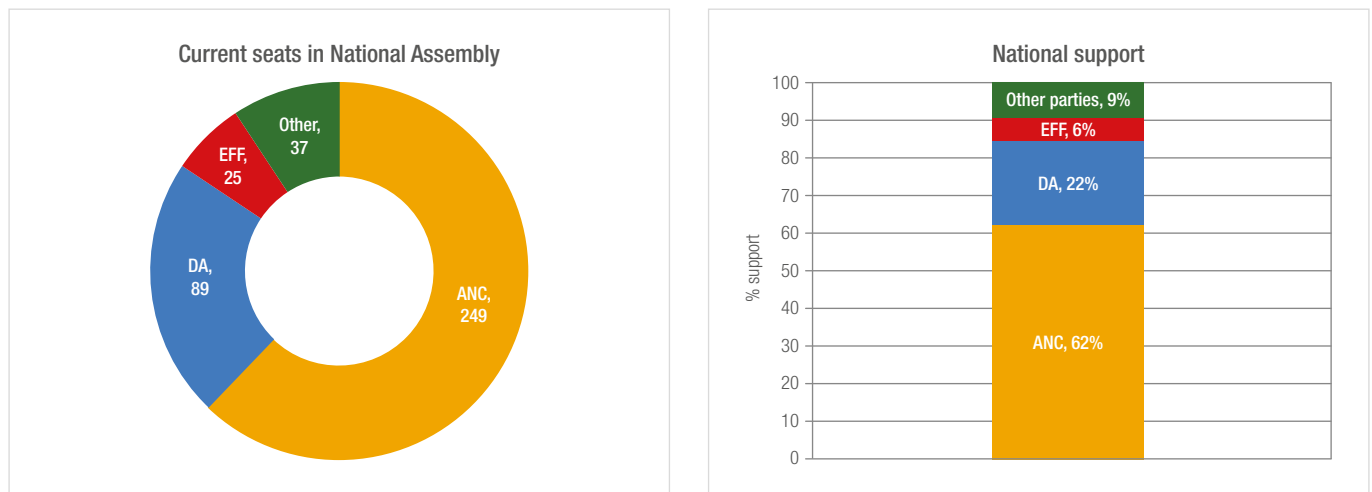
During the August 2016 local government elections, the ANC is likely to lose its majority in the Johannesburg and Tshwane metros, while the DA could increase its support and the EFF could also do well. The question then becomes one of city-level alliances with the two most likely outcomes being an ANC–DA or ANC–EFF coalition – either of which could constitute a mini-revolution on its own.

In the Eastern Cape in 2014, ANC support in Nelson Mandela Bay, which includes Port Elizabeth and Uitenhage, fell to 48.8% on the provincial ballot. The DA received 40.8% and the EFF 4.2%. The ANC and the DA could therefore emerge with roughly equal support, making the EFF effective kingmakers, although a smaller party such as the United Democratic Movement (UDM) could present options for alliances.

Bafana Bafana, Nation Divided and Mandela Magic

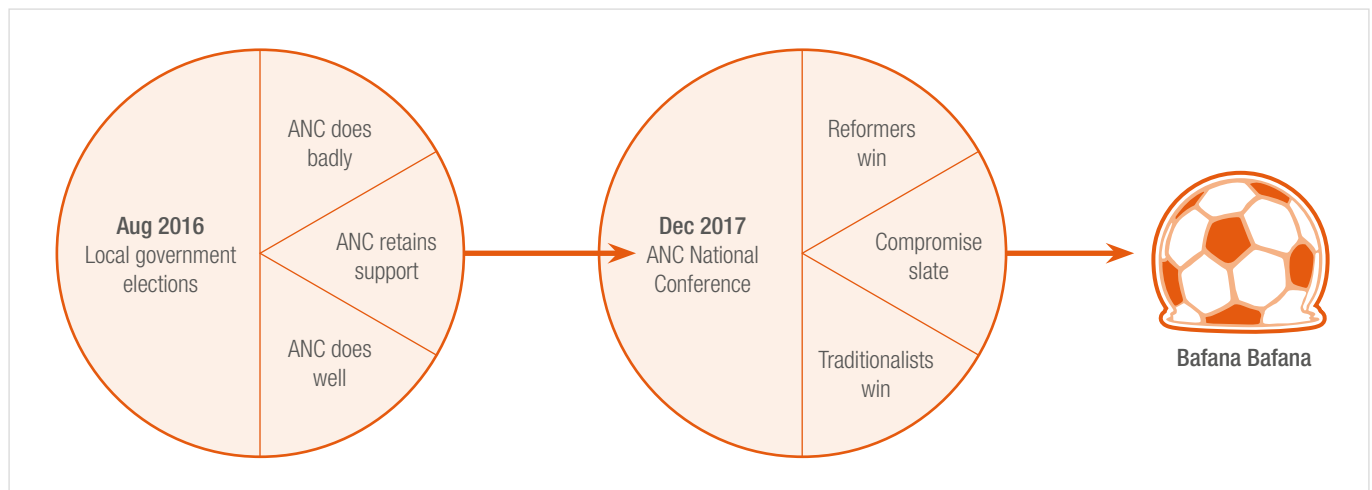
The South African economy is growing below its potential, and significantly below the 5.4% average rate required by the National Development Plan to reduce unemployment and poverty. Things are going to get worse before they get better, as the damage that has been done by bad management,

Figure 2: Current support and allocation of seats in the National Assembly



Source: Independent Electoral Commission (IEC)

Figure 3: Bafana Bafana



Source: Authors

crony capitalism and poor planning during the Zuma administration will not be easily reversed. While the country still has significant growth potential, current forecasts are underwhelming. For example, Trading Economics forecasts an average GDP growth rate of 2.1% to 2020.³¹ The World Bank forecasts falling GDP per capita to 2017, a slight increase in all levels of poverty and an increase in inequality, and notes that ‘Stronger economic growth will be crucial to accelerated progress in reducing poverty and inequality’.³² The Reserve Bank GDP growth rate forecast for 2016/2017 is an uninspiring 1.2%, 1.9% for 2017/18 and 2.5% for 2018/19.³³

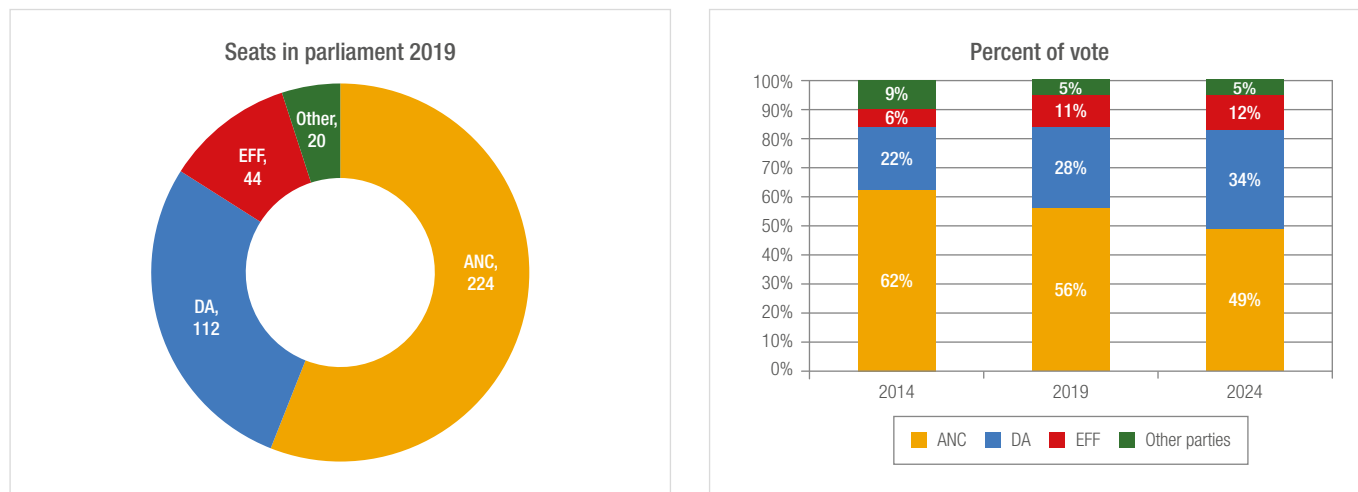
Table 1 and Figures 9 and 10 summarise the essential elements of the scenarios used in this paper.

We have named the “current path” or business-as-usual future of governance **Bafana Bafana**, after the South African national soccer team, which has a comparably dismal track record. It is an uninspiring but most likely scenario. The associated national election forecast associated with this scenario is set out in figure 4. This is a future where Zuma is most likely forced to step down as president of South Africa once a new president of the ANC is elected at the ANC’s National Conference at the end of 2017 (to avoid a “two centres of power” problem), and is replaced by a compromise slate of traditionalists and reformers – a balancing act that will keep the party united but South Africa muddling along. The ANC goes into the 2019 national/provincial elections with a new but uninspiring team.

Under a newly elected ANC and South African president, the ANC should obtain in the region of 56% support during the 2019 elections. Our expectation in the Bafana Bafana scenario is that the ANC could fall below an absolute majority of support in 2024.

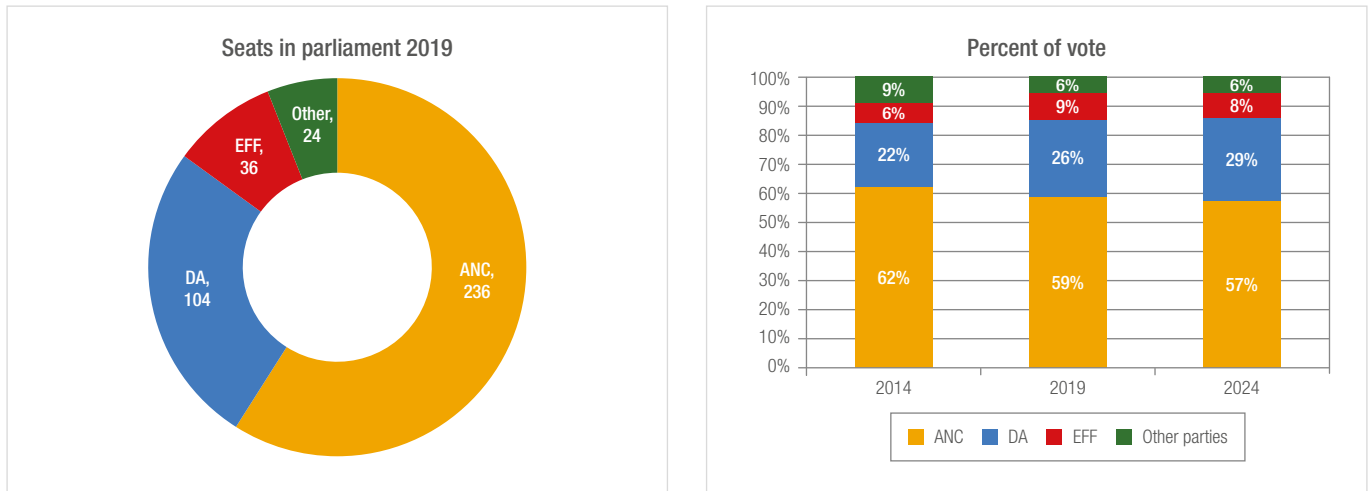
Given the burden he has become to the ANC, the early departure of Jacob Zuma as president of both the ANC and South Africa would point the country towards the **Mandela Magic** scenario, which is characterised by a rapid transition to a new leadership dominated by a reformist grouping. As the name suggests, it has the greatest potential economic and developmental benefits for the country – and the most positive election results for the ANC. Mandela Magic sees support for the EFF eventually drop off on the understanding that many EFF supporters’ votes were actually a protest vote against the current leadership of the ANC. In addition, ANC voters considering voting for the DA (particularly in Gauteng) may be persuaded to give

Figure 4: Bafana Bafana forecast



Source: Authors’ calculations based on projection of party support

Figure 5: Mandela Magic forecast



Source: Authors' calculations based on projection of party support

the ANC the benefit of the doubt under a reformist and revived commitment to leadership that echoes Mandela's vision of a rainbow nation.

Mandela Magic will not be smooth sailing, however. The ANC will face internal revolt from those who lose their power and ability to access resources, and some within the party will rebel against its more social-democratic policies.

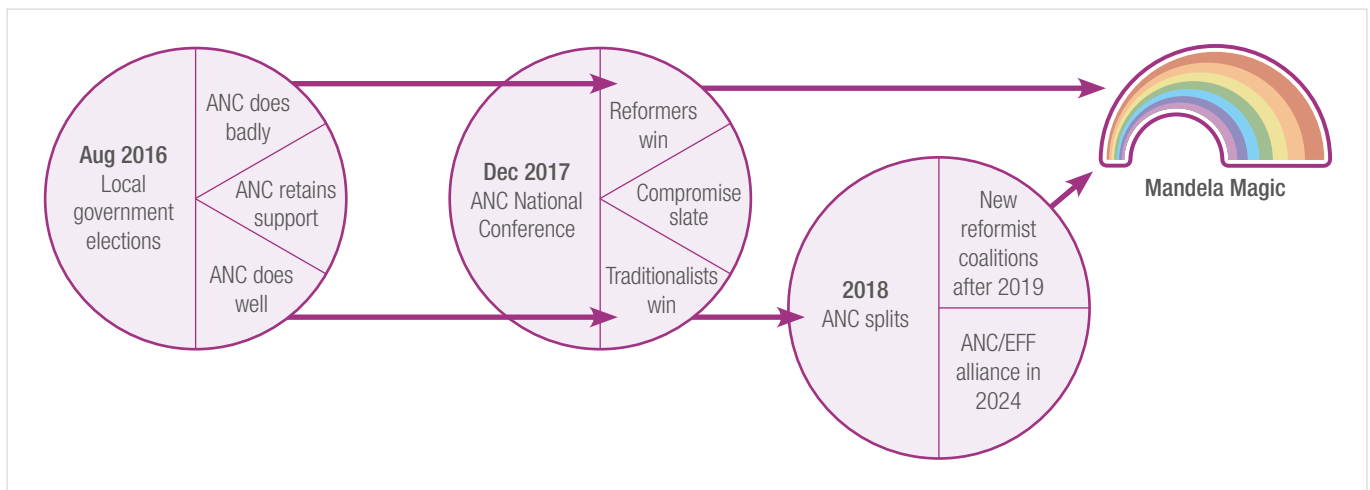
This scenario is unlikely to occur without a change in the balance of forces within the ANC that tips in favour of the reformists. Like the Nation Divided scenario, it could gain impetus from poor results by the governing party in the August 2016 local government elections. This could embolden the reformers and take the wind out of the sails of the traditionalists, and sharpen their agenda to transform the country's trajectory.

The Mandela Magic scenario implies that a newly elected reformist president of the ANC immediately becomes the president of South Africa, not waiting for the 2019 elections. Change will be meaningful only if it is substantive, implying that the reformist grouping in the ANC is successful in wresting control of the organisation from the traditionalists and implementing policies that break with the past, setting South Africa on a sustainable growth trajectory.

Key among the required measures is agreement among labour, business and government on a range of confidence-building measures or clear leadership. A separate ISS Policy Brief, *Rainbow at Risk*, contains additional policy recommendations associated with this future scenario.

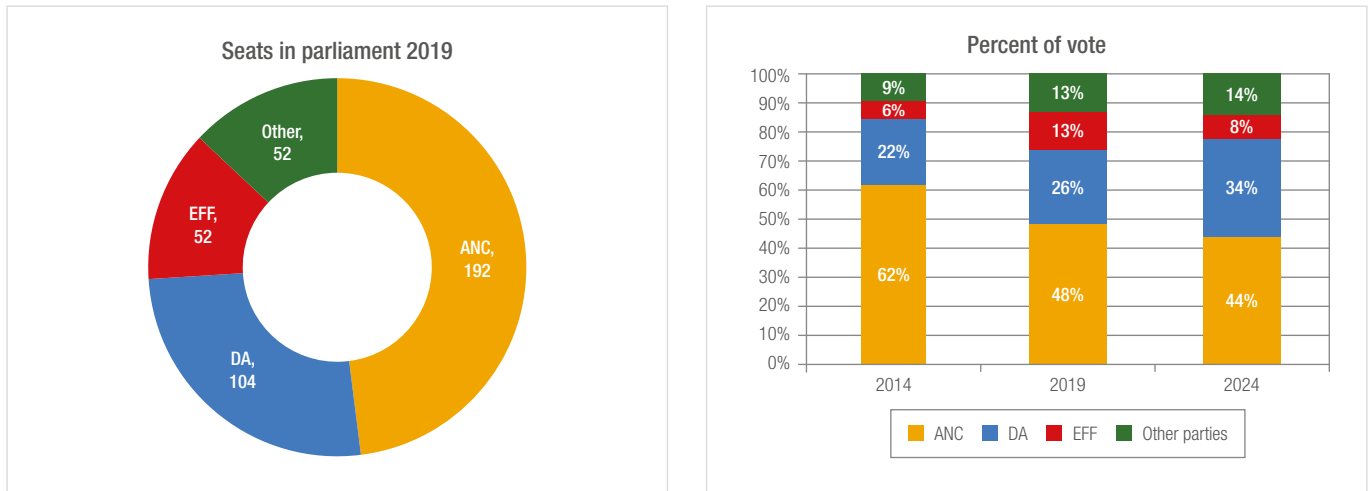
A worst-case scenario (**Nation Divided**) for the country is

Figure 6: Mandela Magic



Source: Authors

Figure 7: Nation Divided forecast



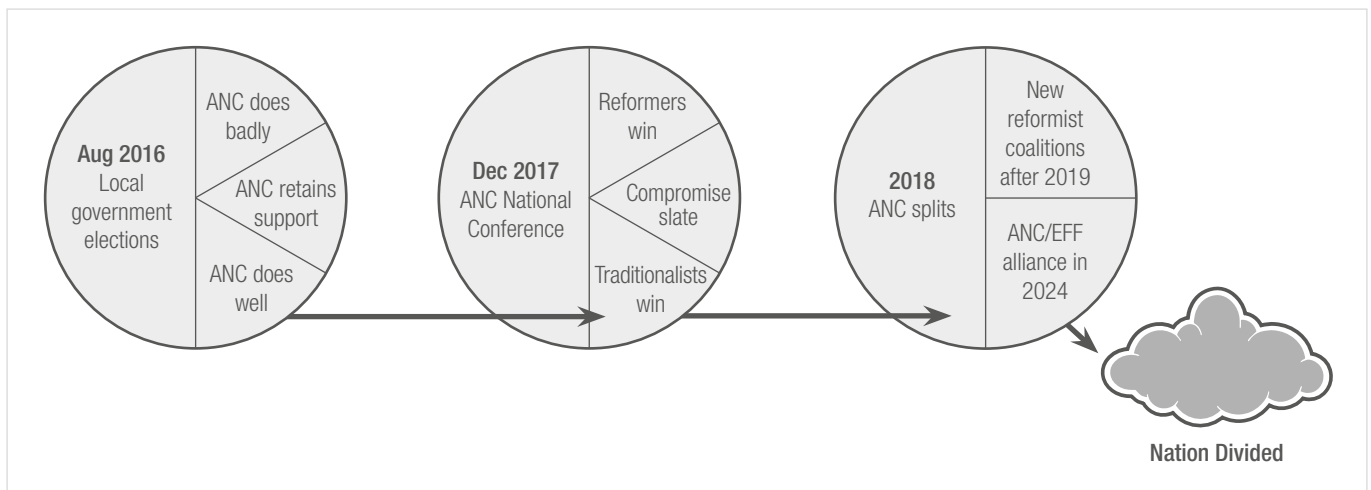
Source: Authors' calculations

one where either or both of the following occurs: (a) the ANC extends the mandate of Zuma as president of the ANC and the country to 2019³⁴ (by aligning the term of office of the president of the ANC with that of the president of the country) or (b) the traditionalists triumph in December 2017 by electing a NEC and top six who are committed to a vision of growth through redistribution.

This is, in effect, an agenda where the ANC seeks to emulate some of the populist policies espoused by the EFF, represented in slogans such as “The right to free tertiary education” and “An affordable minimum wage” – aggressive policies of redress and black economic empowerment that prioritizes redistribution above growth (see the annexure for a discussion on minimum wage).

In the Nation Divided scenario, the ANC does better in 2024 (as the short-term results of redistribution kick in) but performs disastrously thereafter on the back of slow growth, large increases in poverty and unemployment, and even greater inequality. Over time, the South African economy is significantly smaller than under

Figure 8: Nation Divided



Source: Authors

any other scenario. Politically, in this scenario the shift in ANC policies undercut the EFF which is unable to grow. In the 2029 elections the DA is expected to emerge as the largest beneficiary.

Violence and protest by ANC supporters unwilling to accept the decline of the liberation party's support could be a further destabilising factor. Given the extent of protests from by an increasing segment of the public and the EFF aimed at President Zuma to resign, we expect that levels of political violence will be highest under the Nation Divided scenario, where Zuma effectively remains president to 2019, giving significant time to build momentum against him. Such protests have intensified in frequency in the first quarter of 2016 as opposition groups target the ANC in what is set to be a bitter and probably violent campaign for the local government elections scheduled for 3 August 2016. During the interim period, between August 2016 and December 2017, it will largely be ANC-on-ANC factional violence as branches prepare for the National Conference, reflecting the intensification of a trend that has already gained a considerable degree of momentum. In the longer term, violence would most likely be fuelled by slow growth and rising unemployment.

The violence associated with each scenario is summarised in Figure 9.

Figure 9: Violence associated with each scenario

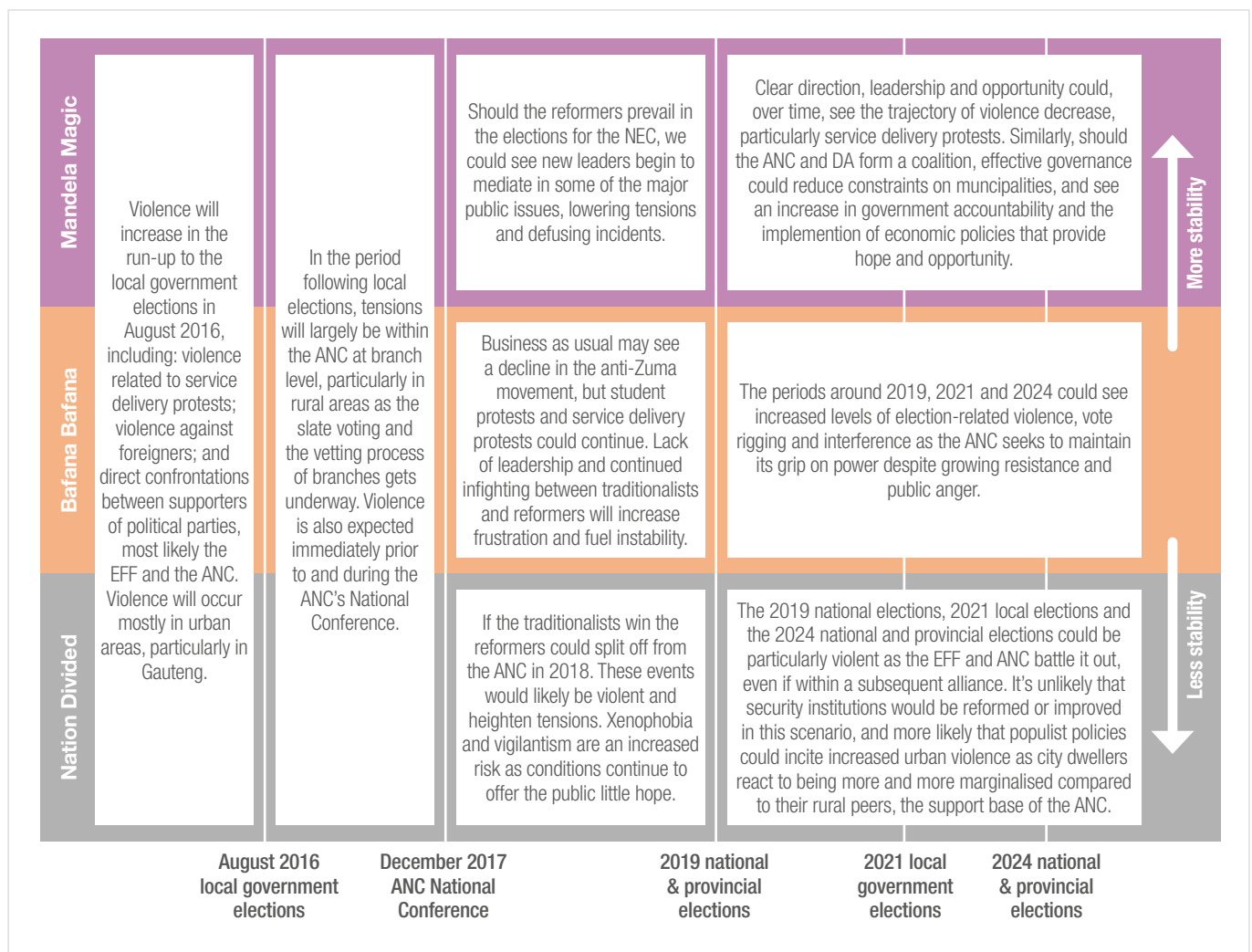
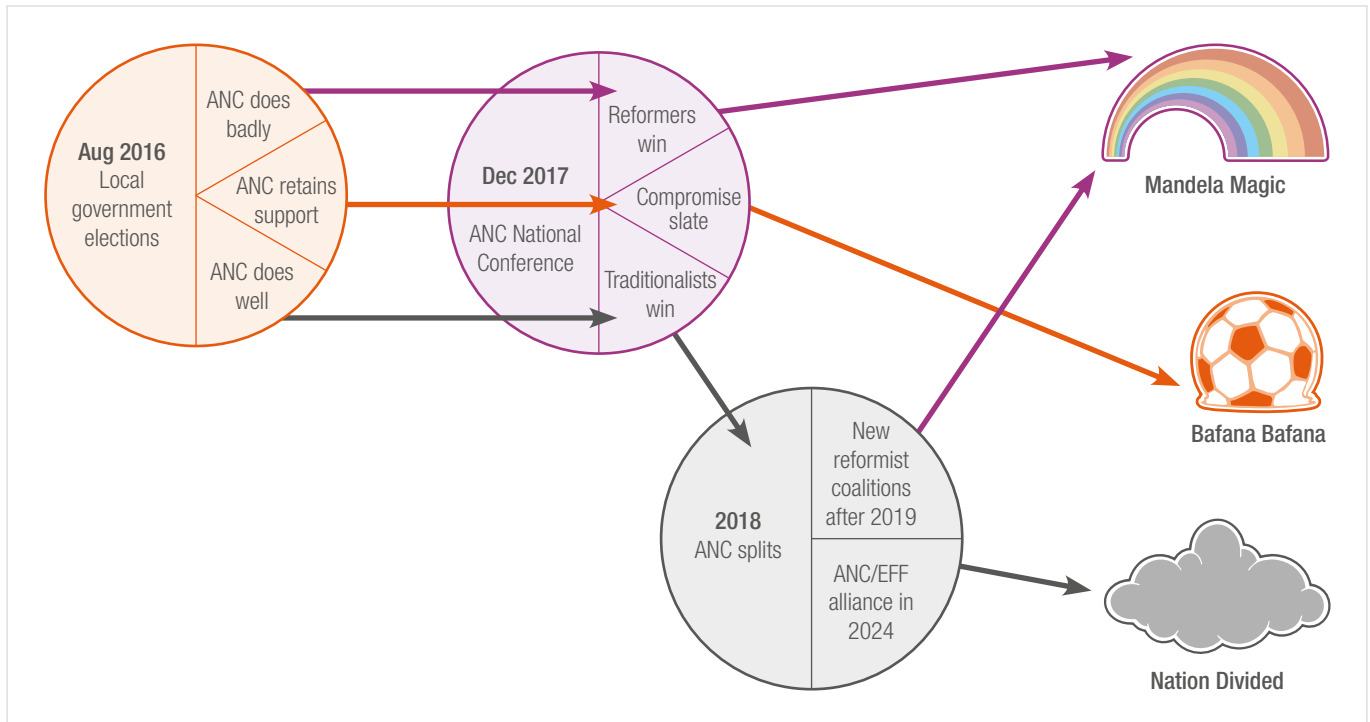


Figure 10: Scenarios for South Africa to 2024



Source: Authors

Under the business-as-usual scenario, Bafana Bafana, service delivery and labour protests continue and grow, as do anti-Zuma and student protests. Generally, tensions in the country grow as the political and economic stalemate continues to limit much-needed policy reform.

Decisions in the three policy areas will, in our view, be crucial in shaping the country's future, and therefore require additional comment. These are: electricity supply (nuclear procurement); agreement on a minimum wage; and a possible investment downgrade to so-called junk status. Each is briefly discussed in the annexure.

Party cohesion?

In the case of the ANC, a collapse in support during this forecast period could only occur through a large split in the party. This is likely if the party does poorly in the local government elections in August 2016 and Jacob Zuma is blamed and steps down, or a traditionalist slate dominates the incoming NEC in December 2017 (or earlier), or both.³⁵

With the DA having probably seen a strong improvement in support in various metros during the August 2016 local government elections, such as in Johannesburg and Tshwane, then (a) the reformists in the ANC in Gauteng could split from the party and join the DA (which could in turn lead to a split within the DA); or could decide to establish a new party that

enters into an alliance with the DA after the 2019 elections; or (b) disgruntled traditionalists may ally with the EFF.

In recent years the ANC has split twice, leading to the establishment of the Congress of the People (COPE) and the EFF. Given the current divide between the reformers and the traditionalists, a third, perhaps more serious, parting cannot be discounted. These developments are included as part of the Nation Divided scenario, which presents interesting alternatives for a bad scenario to become either quite positive or even worse.

The more likely outcome is, of course, that the ANC does not do badly enough to shake confidence within the NEC and that a combined reformist-traditional slate is elected that is able to maintain party cohesion (the Bafana Bafana scenario).

The DA's potential challenge relates to the extent to which its newly appointed leader, Mmusi Maimane, is able to lead the continued evolution of the party towards one that attracts a much larger part of the black vote. If this happens at the expense of its traditional support base of white, coloured, Indian and (increasingly) middle-class urban black voters, the party could fall between two stools. The DA faces the ever-present challenge that its support may plateau and, if it is unable to complete its transition to a party that appeals to black voters, it could eventually be replaced as the official opposition. Future prospects of alliance politics (with the ANC and even the EFF) will test the cohesion of the DA with potentially far-reaching results.³⁶

Table 1: Summary of scenarios

Mandela Magic	Bafana Bafana	Nation Divided
<p>Expected development to December 2017: South Africa is expected to experience increased levels of social turbulence and violence in the run-up to the August 2016 local government elections, and factional violence within the ANC as the National Conference of December 2017 approaches. The country will likely experience a downgrade to sub-investment status in 2017 that will further dampen economic growth prospects and increase social discord. Poverty, unemployment and crime will increase as the ruling party is absorbed in internal squabbles and fight for the control of key institutions such as the Hawks, National Prosecuting Agency, Treasury and SARS.</p>		
<p>(1) Reformers triumph at ANC's National Conference whereafter Zuma steps down as both leader of ANC and SA president, replaced by reformist slate. OR (2) ANC splits in 2018 and reformers establish new party that enters into alliance with DA in Gauteng after 2019 elections.</p>	<p>No clear ideological victor at ANC's National Conference. Alliance of ANC reformers and traditionalists govern after 2017. Party holds together but ongoing policy incoherence in government. Large cabinet consisting of diverse orientations including SACP, COSATU, traditionalists and reformers.</p>	<p>Traditionalists slate triumphs at ANC National Conference in December 2017. Large faction splits off from ANC. Rest of ANC carries on, possibly entering into an alliance with EFF in Gauteng after elections in 2019. ANC governs nationally with help from smaller parties after 2019 but needs alliance with EFF after 2024.</p>
<p>Stability in cabinet and top government appointments. Senior civil servants appointed on merit as recommended by National Development Plan.</p>	<p>Cabinet is reshuffled annually. Continued infighting between traditionalists and reformists.</p>	<p>Turbulence as additional cabinet reshuffles occur to allow for nuclear deal to proceed. Treasury and SARS captured by traditionalists.</p>
<p>ANC support drops to 59% during the 2019 elections and 57% in 2024 elections. ANC retains urban support base, including in Gauteng where it governs through an alliance. DA steadily gains support to 26% and 29% in 2019 and 2024. EFF increases support in 2019 but plateaus thereafter.</p>	<p>ANC support nationally drops to 56% in 2019 and 49% in 2024. DA experiences strong growth to 28% in 2019 and 34% in 2024. DA majority in Gauteng in 2024. EFF does very well, almost doubling current support in 2019. Retains that support in 2024.</p>	<p>ANC splits in 2018 and support drops to 48% in 2019 and close to 44% in 2024. ANC increasingly rural, loses urban support. Gauteng goes to ANC-DA or ANC-EFF.</p>
<p>South Africa regains investment status in 2020. Minimum wage at around R2 700 pm, turnaround in parastatals. Government adopts a flexible least-cost investment plan on electricity supply that could include up to 4GW of nuclear by 2030.</p>	<p>South Africa regains investment status by 2022. No change in management of parastatals, minimum wage around R3 500. Phased nuclear build of up to 9.6GW by 2030.</p>	<p>South Africa remains at sub-investment status until 2024. Minimum wage around R4 500, parastatals in crisis. Government commits early to a large and inflexible nuclear procurement.</p>
<p>Ongoing service delivery protests but new leadership able to reach out. Trust in impartiality of key institutions including Public Protector, Hawks, NPA, etc is restored.</p>	<p>Ongoing service delivery protests that make some local governments inoperable. Anti-Zuma protests continue.</p>	<p>The most violent scenario, both ongoing and specifically around elections. Service delivery protests escalate. Establishment of no-go political areas in many urban areas.</p>
<p>South African economy rebalances away from commodities to take advantage of increased Indian (and African) demand for household goods and services. Manufacturing sector is revitalized.</p>	<p>Current contradictory efforts continue with mixed success.</p>	<p>Manufacturing and agriculture continue relative decline. Economy remains dominated by large business, unwilling to bring in black elites or invest locally. Resources sector remains dominant.</p>
<p>Growth up to 4% by 2024.</p>	<p>Growth at 2.5% average over forecast horizon.</p>	<p>By 2022 South Africa enters into agreement with IMF for bailout. Growth at 1% average.</p>

Source: Authors

* See the annexure for additional details.

Among the top three parties, the EFF is most at risk from a collapse in support compared with the ANC and DA due to its young age, lack of structures and systems, and extent to which its fortunes depend upon a single charismatic leader, Julius Malema. Its future support is also volatile, although our scenarios assume an expected large increase in support during the 2016 local government elections, and 2019 national and provincial elections, but much greater uncertainty thereafter.

Populism will be appealing (particularly to the poor and unemployed), as discussed in the accompanying ISS Paper No. 293: *Economics, governance and instability in South Africa*. Once in government, even if only at a local level, the EFF would be confronted with the practicality of its policies and have to adjudicate on tenders that, given the history of its leader Julius Malema when still a member of the ANC, could prove to be its downfall.³⁷

Conclusion

We have argued that developments within the ruling party will be key to the outlook for South Africa for the foreseeable future. Election trends point to a decline in ANC support since 2004. In August 2016, the party risks symbolically important losses in a number of metro areas, a trend that could gain momentum in subsequent years. The key issue determining the future of the ANC is the outcome of the factional battle between the reformists and traditionalists within the party. While the development and actions of the DA and EFF (and other new parties that could emerge) in this time will certainly shape the country's leadership trajectory, it is the dynamics between the reformists and traditionalists within the ANC that will determine if the country can be characterised as business as usual (Bafana Bafana), worse off (Nation Divided) or markedly improved (Mandela Magic).

The key issue determining the future of the ANC is the outcome of the factional battle between the reformists and traditionalists within the party

South Africa is likely to experience significantly increased social instability in the next two years, mainly in the form of higher levels of violent protests, as the factional battles in the ANC plays out. On the current path violent protests will escalate, and we forecast particularly high levels of violence within the ANC in the run-up to the December 2017 National Conference as well as more general social and community violence in the run-up to the 2019 provincial and national elections. There will (eventually) be lower levels of social turbulence only if the country can sustain much more rapid and inclusive growth than it has in recent years – and if South Africans can change their current recourse to divisive political rhetoric.

The time horizon for this paper concludes with the national and provincial elections scheduled for 2024 when, under the most likely scenario (Bafana Bafana), the ANC's electoral support could dip to below 50% and the DA could succeed in capturing Gauteng, the economic heartland of South Africa, while retaining its comfortable majority in the Western Cape. At this point, South Africa would already have entered an era of coalition politics at local and provincial government level and it is conceivable that the 2024 elections could be heavily contested and violent. Liberation-cum-political parties elsewhere in Africa have not readily ceded power and South Africa is unlikely to be an exception.



UNDER THE BAFANA BAFANA SCENARIO THE ANC'S ELECTORAL SUPPORT COULD DIP TO BELOW 50% IN 2024

The president's economic disengagement and the string of allegations of corruption against him have resulted in a growing protest movement calling for his resignation. But while the attention focuses on Zuma, the economic and political woes of the country go far beyond the executive. The global economic crisis and its sluggish return to growth hit the country hard. Compounding these factors is one of the worst droughts in South Africa's recent history, which has curtailed the country's agricultural sector. Against this backdrop, decisions about the future of the electricity supply, minimum wage and South Africa's international bond rating will have the potential to constrain the growth trajectory with the potential to produce profound change (see annexure).

South Africa is increasingly at risk and our margin for error is slim.

A final and separate policy brief, titled *Rainbow at risk*, sets out the political, social and economic policy implications of our work and associated policy recommendations.

ANNEXURE: Energy, junk status and minimum wage

The three scenarios used in this paper include specifics on electricity, the level at which a minimum wage is set, and South Africa at so-called junk status. These three aspects are discussed in further detail here.

Electricity supply: nuclear or not?

South Africa cannot grow without significant investment (amounting to several trillion rand) in additional electricity supply and in its distribution grid. The question is which mix of technologies to pursue – i.e., the relative weighting of nuclear, renewable, gas or other energy – and what the potential implications of these choices would be.

Decisions about the future of the electricity supply, minimum wage and South Africa's international bond rating could constrain the country's growth trajectory

On the one hand, government has continued its efforts to expand the provision of electricity to poor households, connecting an additional 190 000 households in 2015.³⁸ On the other hand, electricity consumption is now down to 2008 levels due to higher prices, the changes that higher prices and irregular supply had on large users (furnaces for non-ferrous metals and gold mining accounts for 25% of total consumption and global demand is down), and muted economic activity.³⁹ Eskom's installed generation capacity was flat from 2009 and decreased steadily from 2012.⁴⁰ As a result, Eskom's prime energy availability factor has not significantly improved even though electricity prices go up every year from previously low levels.

Recently, a request for proposal issued by the government for a 9 600 MW of nuclear power by 2030 did not provide any indication of cost. For the purposes of this paper, we accept the illustrative costs of US\$4 000 per installed kilowatt, which amounts to roughly US\$38.4 billion, about ZAR600 billion, for the entire project.⁴¹ These are significant levels of expenditure for a country faced with the challenges and growth constraints that have been evident since 2008.

Nuclear energy has many advantages, which include the ability to constantly deliver

ZAR600
billion

THE ESTIMATED COST OF
SOUTH AFRICA'S PROPOSED
NEW NUCLEAR POWER
STATIONS

almost all of its installed capacity. This is on top of the benefit of reducing carbon emissions, which would allow South Africa to make significant progress towards meeting its international commitments to reducing carbon emissions as part of the 2009 Copenhagen Accord.⁴² Beyond safety issues the main risk with using nuclear energy is (a) the government's ability to manage such a large procurement without large cost overruns, corruption and wastage, and, most importantly, (b) the impact of such a large, capital-intensive procurement on the broader economy.⁴³

Warning signs have emerged that the full fleet of nuclear generators has been assigned to a Russian company

The South African government does not have a good track record for delivering large capital projects. Efforts to build two of the world's largest coal-fired generation plants, Medupi and Kusile, with a total installed capacity of 4 800 MW each, at an original cost of R69 billion and R80 billion respectively, are now several years late and significantly over budget, with the most recent cost estimates at R105 billion and R119 billion each.⁴⁴ Warning signs have already emerged that the full fleet of nuclear generators has been assigned to a Russian company, even before the start of the tender process, and that various senior appointments in cabinet – that of the Minister of Energy and the attempted (and failed) replacement of the Minister Finance – as well as other senior officials have been made with this specific purpose in mind.⁴⁵

South Africa needs additional base load capacity to grow even at the low rate of 2% a year, or more, but this additional capacity does not have to come from a single, integrated electricity grid and industrial-scope plants. Modern technology allows for smart, decentralised production and storage systems that would produce the same carbon benefits as a large, central nuclear procurement and have much greater general benefits for an economy that struggles to create jobs at affordable prices. In fact, the speed and success of South Africa's public-private renewable energy policy initiative (the Renewable Energy Independent Power Producer Procurement Programme or REIPPPP), launched in 2011, is evidence of this. The REIPPPP has produced 39 functioning projects to date, with almost 30 more underway, generating more than 2 000 MW of renewable energy – although it is important to keep in mind that renewable energy does not provide the same base load capacity as nuclear, coal, oil, gas or hydro. Generation from REIPPPP efforts is expected to double to 4 000 MW in the coming years.⁴⁶

There are also differences between the REIPPPP approach and the proposed nuclear procurement process. REIPPPP included a competitive bidding process among a relatively large and diverse group of suppliers, high levels of information and transparency in the bidding process, and careful design and effective management of successive REIPPPP bidding rounds – government learns from each round but does not compete in them itself. None of these apply to the nuclear procurement process, as the decision on the successful bid appears to be based on personal or political considerations. At the moment it is unclear if government will have the opportunity to learn from the first of these plants.

A more flexible approach to electricity planning and possibly even a partly decentralised energy production system would have vastly different implications for South Africa, requiring government to focus its efforts on managing the electricity grid while outsourcing or partnering with private sector suppliers for supply.⁴⁷ In this manner, a partly decentralised system with production coming from distributed capacity across the country would have a much broader impact upon the South African economy (such as on job creation) than the high-technology, capital-intensive solution represented by the proposed nuclear build. The potential of off-grid renewable systems, effectively stand-alone systems that are part of smaller localised grids and not part of the national grid, is a serious alternative to the supply of electricity to rural areas in a country the size of South Africa.

In a comprehensive study on the costs and benefits of the proposed nuclear build, the Energy Research Centre at the University of Cape Town found that the large investment required will crowd out investment in other sectors and increase the electricity price, potentially placing a significant number of jobs at risk as the economy contracts in response to higher electricity prices.⁴⁸ In addition, 'We find that there is a 94% chance that electricity prices will be higher in 2030 with the commitment to nuclear power. In addition, there is 20% chance of the tariff arising from the commitment to nuclear power being 10% greater than that from a flexible planning approach. From this, we can infer, fairly robustly, that the risks of a negative impact on the economy of such a large scale are high.'⁴⁹

In the Bafana Bafana scenario, the government proceeds with the full nuclear fleet build but in a staggered manner, despite the high cost of borrowing that follows the likely downgrade to sub-investment status (see the section below).

A reformist ANC is likely to opt for a more flexible approach under Mandela Magic, with a mix of electricity supply that includes one or two nuclear plants. In the Nation Divided scenario, the government proceeds with a large portion of the nuclear build despite a downgrade to sub-investment status

and the prospects of a much smaller economy due to lower growth. The decision to “go nuclear” by the traditionalists is based on two considerations: the need to buy influence among an important ANC partner in the BRICS grouping and the benefits (some of which have allegedly already occurred) that will accrue to well-connected and powerful actors within the black industrial community in the form of sub-contracts, including the provision of raw materials.⁵⁰

The minimum wage: at what level?

In yet another attempt to address poverty and inequality (on top of the successful efforts to reduce extreme poverty through the social grants programme), the ANC is set to institute a national minimum wage to replace the current system of sector-specific minimum wages. This comes despite warnings that real wage increases reduce the demand for labour and that a minimum wage prevents the unemployed from gaining work experience.⁵¹ Negotiations on the topic between government, labour and business have started. In the current political environment, a minimum wage appears inevitable if the ANC is to placate COSATU. For this reason, we include minimum wage in all three scenarios described above but at different levels.

The ANC is set to institute a national minimum wage to replace the current sector-specific minimum wages

The impact of such a measure on employment is sensitive to the level at which it the minimum wage is set (if it is too high, it will lead to large job losses; if it is too low it will have no impact on poverty or inequality) and is also somewhat sector-specific, often leading to larger job losses in tradable sectors such as agriculture and clothing.⁵² Already, the introduction of sector-specific minimum wages has led to significant job losses in the agricultural and other sectors, despite widespread non-compliance.

Public debate is heated, with dire forecasts on the potential for job losses from the National Minimum Wage Research Initiative at the University of the Witwatersrand,⁵³ the Development Policy Research Unit at the University of Cape Town,⁵⁴ the Treasury and various academics, all of whom have released studies using their own statistical econometric modelling and citing international evidence.

It appears that the net impact on jobs in the formal sector will be negligible (or slightly negative) should the minimum wage be set at an appropriately moderate level (calculated by Nicoli Nattress and Jeremy Seekings at below R2 700 per month).⁵⁵

According to the result of modelling released by the Treasury, a national minimum wage at above R4 000 a month (as proposed by COSATU) would increase unemployment by around 10%, with the potential for negative consequences in labour-intensive tradable sectors.⁵⁶ The impact of too high a minimum wage is set out by Brian Kantor, who writes: ‘Even after adding 40% to wage incomes to compensate for “underreporting” in the Labour Force Surveys undertaken by Stats SA, 48% of all wage incomes representing 5 million workers fall below R4 000 per month and 40% earn less than R3 000 per month, about 2.7 million workers out of a total employed of about 13 million. The proportion of those employed who fall below R4 000 are much higher in the rural areas, higher in agriculture (nearly 90%) and domestic services (95%). At the other end of the spectrum is mining, where 22% of the work force earns less than R4 000 per month. Even in the comparatively well-paid and well-skilled manufacturing sector, about 48% of the work force are estimated to earn less than R4 000 per month.’⁵⁷ In summary, a minimum wage of R4 000 a month is not reflective of current market forces, would place a huge burden on employers and is likely to lead to significant job losses.

With this in mind, the Bafana Bafana scenario assumes that a minimum wage is set at around R3 500 per month, sufficiently high to placate COSATU and without the negative impact of large-scale job shedding, while in Nation Divided the minimum wage is set at around R4 500. The higher minimum wage in Nation Divided increases unemployment and pushes up the income of those already in employment, including in the large public sector. Contrary to its stated intent, inequality widens. In Mandela Magic the minimum wage is set at around R2 700, allowing for sectoral differentiation and motivated exceptions. As a result, current employment levels are protected but at low wage levels that will, over time, place additional pressure on labour relations.

South Africa at junk status?

A third important component in the scenarios presented in this paper relates to the possible relegation of South African government bonds to sub-investment, or junk, status. Given its low levels of saving, and high unemployment and poverty, South Africa cannot grow its economy beyond 1.5% on sustainable basis without access to global capital markets.⁵⁸

Although a host of economic and political measures affect the way credit rating agencies determine the bond status, the greatest challenge for South Africa in the future is its weakening fiscal position (high debt) and slow growth.

In many ways, the market has already factored in the larger risk posed by South Africa’s current and future economic and

political situation.⁵⁹ Thus, the 10-year SA Government Bond yield jumped almost two per cent to 10.16% on 10 December 2015 (the day that Zuma fired Finance Minister Nene) from 8.84% on the previous trading day.⁶⁰ Even though yields have since recovered much of the December losses, the country continues to pay a price for the larger risk now associated with investing in South Africa.

In general, the better a country's credit rating, the more cheaply it can borrow funds in the global capital markets. Early in May 2016, Moody's Investors Service (usually the ratings agency with the most positive outlook on South Africa) affirmed South Africa's government bond ratings for both domestic and foreign currency denominated debt at two notches above sub-investment grade. Moody's also confirmed its negative outlook, indicating the likelihood of a lower grading in the near future. Ratings from two other agencies, Standard & Poor's, and Fitch, remain at only one grade above sub-investment status.

South Africa is fortunate that only 11% of government debt is in foreign currency, although a hefty slice of that is held by state-owned enterprises that have a legacy of poor management and therefore are an important factor in a downgrade.⁶¹

The impact of a potential downgrade to sub-investment status is serious. Iraj Abedian sets it out as follows:

When the government credit rating is junk-graded all the private sector corporates, state-owned enterprises (SOEs), and subnational entities are likewise junk-graded for their global borrowing requirements. The cost of capital for the country as a whole rises accordingly. This leads to a decline in investments, economic growth, job creation, and tax revenues for the state. And, the longer it takes to end the junk-status, the more the business environment becomes constrained. This makes it harder for the state to deal with socio-economic imbalances and the restoration of macro-economic stability. This in turn exacerbates the historic structural inequalities and social inequities. Since South Africa is already heavily indebted with a significant portion of the budget simply going towards servicing that debt, the result is a low-growth trap as debt repayments crowd out other expenditure.⁶²

If all three of the largest global agencies (Standard & Poor's, Moody's Investor Services and Fitch Ratings) coincide with a sub-investment grading, the South African Government Bond Index would be removed from the Citi World Government Bond Index (WGBI)⁶³, signifying that professional investors such as hedge funds, pension funds and asset managers are prevented (by policy) from investing in the country. This has the effect of closing off a large source of cheaper financing and makes the country more reliant on international financial institutions (IFIs) and hedge funds for support – each coming with its own set of risks. The IFIs will lend to South Africa only on stringent conditions (known in the past as structural adjustment programmes) while hedge funds are at the mercy of volatile global markets and associated machinations.

In various recent surveys, a range of economists agree that Standard and Poor's, at least, will drop South Africa's sovereign credit rating to junk status in 2016,⁶⁴ with others likely to follow in 2017.

11%

THE PERCENTAGE OF
GOVERNMENT DEBT IN
FOREIGN CURRENCY

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Acknowledgements



This paper was made possible with support from the Hanns Seidel Foundation. The Institute for Security Studies is also grateful for support from the following members of the ISS Partnership Forum: the governments of Australia, Canada, Denmark, Finland, Japan, the Netherlands, Norway, Sweden and the USA.

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