

## South Africa

<b>Status Index</b> (Democracy: 4.2 / Market economy: 3.7)		<b>7.9</b>	<b>Management Index</b>		<b>6.6</b>
<b>System of government</b>	Parliamentary democracy		<b>Population</b>	44.4 mill.	
<b>Voter turnout</b>	80 % (Parliamentary elections 1999)		<b>GDP p. c. (\$, PPP)</b>	11,290	
<b>Women in Parliament</b>	30.15 <sup>b</sup>		<b>Unemployment rate</b>	37 %	
<b>Population growth<sup>a</sup></b>	2.1 %		<b>HDI</b>	0.684	
<b>Largest ethnic minority</b>	10.9 % (Whites) <sup>c</sup>		<b>UN Education Index</b>	0.83	
			<b>Gini Index</b>	59.3 (1995)	
<p>Figures for 2001 – if not indicated otherwise. <sup>a</sup> Annual growth between 1975 and 2001. <sup>b</sup> Mean of National Assembly and Provincial Representation. <sup>c</sup> South Africa is extremely fragmented in terms of race and ethnicity. According to the 1996 census, the population was 76.7 % black, 10.9 % white, 8.9 % colored (of which 55 % have black and Afrikaner ancestry and about 45 % have black and British ancestry), and 2.6 % Asian (Indian). In the long term, the proportion of blacks is rising because they have higher birth rates. The black majority is by no means homogeneous, with nine main ethnic groups. The Zulu form the largest black ethnic group (more than six million), followed by the Xhosa (more than five million) and Tswana (about three million). 28 % of the population speak Zulu as their mother tongue. Source: UNDP: Human Development Report 2003.</p>					

### 1. Introduction

The largely successful—and in many respects downright sensational—process of democratization in South Africa engendered high expectations for its transformation; the relatively good starting conditions (development status, infrastructure, abundant natural resources) intensified these expectations. From a regional perspective, South Africa was regarded as a potential growth engine. These hopes were only partly fulfilled. Although the country has made progress toward democracy and a market economy in recent years, no breakthrough occurred.

Transformation proved difficult in both the political and the economic realm. Given the extent of the social challenges, the pace of reform is too slow and economic growth too limited. Many reform projects have been launched, but few successfully implemented. A gulf yawns between heralded changes and their realization. It must be kept in mind, however, that the country's leaders avoided destabilization and—except for the policy on AIDS—put emphasis where it was due. Overall, after nine years, the multidimensional transformation of the country is gaining stride.

## **2. History and characteristics of transformation**

South Africa's transformation began on February 2, 1990, when President F. W. de Klerk, in a startling announcement, lifted the 30-year ban on black political organizations and released Nelson Mandela from prison after 27 years. The transformation can be divided into two phases. In the first phase, between 1990 and 1994, the government gradually repealed the extensive apartheid laws and held round-table discussions to lay the foundation for a new non-racist South Africa.

These complex talks, that extended over years and were accompanied by political violence that claimed more than 13,000 lives, culminated with the adoption of an interim constitution in 1994 and the first all-race elections in 1994. Key factors contributing to the success of the round-table discussions included: first, the skillful negotiation between representatives of the leading black political organization the African National Congress (ANC), and the white National Party (NP); second, the charisma of Nelson Mandela; and third, the inclusion of radical and regional political fringe groups. The interim constitution established the framework for a consensus democracy, with proportional representation for all parties based on the votes received in elections. The second phase of South Africa's transformation began after the first elections in April 1994.

Led by the ANC, which won 62.5 % of the votes, the new government of national unity faced tremendous challenges. On the one hand, the glaring social disparity between relatively prosperous whites and Indians and the vast majority of relatively poor blacks and coloreds generated enormous pressure on the new government to rapidly improve social conditions. On the other hand, the legacies of apartheid—such as segregated residential areas, the so-called homelands and the need to address political and human rights crimes committed between 1948 and 1990—demanded immediate action.

Transformation in the long term required social reconciliation and an end to the culture of violence that pervaded both the private and the public realm. Of major significance during this phase was the power of Nelson Mandela to bring people together; he was the only politician whom all groups trusted. The Mandela era ended with the second elections in 1999, which the ANC won with 66 % of the votes. Those elections also marked the transition to a competitive democracy, because the constitutional provision that governing power would be shared by all parties receiving more than 10 % of the votes had lapsed.

Nevertheless, the ANC joined with the Inkatha Freedom Party (IFP) under Chief Gatsha Buthelezi to form a coalition government that still remains in power. Throughout the period of transformation, there has been a largely informal, less institutionalized tripartite alliance of the ANC, the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP).

This alliance, which has its historical roots in the common battle against apartheid, links three unequal partners: the ANC, a broad mass movement, the SACP, a more elitist cadre party and the somewhat socialist COSATU, the voice of three million unionized workers. With South Africa's economic policy changing course, moving from a Keynesian-oriented to a more liberal approach, conflicts have increasingly arisen among the three groups. The COSATU and SACP are largely aligned; opposing privatization and similar measures by calling strikes, although leading functionaries of those groups hold prominent positions in the government and in the ANC. This makes the task of governing even more complicated than is usually the case in coalition governments. Until now, the centrist position of the ANC has largely prevailed.

On the whole, South Africa's economic transformation presented fewer challenges than its political transformation because of the country's traditional market economy orientation. However, reforms were needed to address certain issues: the high concentration of large companies dominating the market; international competitiveness, which had suffered under economic sanctions; an unskilled workforce; and a traditionally low savings and investment rate. When the transformation began in 1994, South Africa found itself in a difficult economic situation, in part because the negotiation of a political compromise had taken more than three years. The country's disparities in income and standard of living placed sociopolitical issues at the forefront of domestic politics.

### **3. Examination of criteria for democracy and a market economy**

#### **3.1 Democracy**

##### **3.1.1 Political organization**

(1) *Stateness*: No significant population group has threatened South Africa's state unity during the period of the study. The 1993 interim constitution dissolved the country's four provinces and ten pseudo-independent homelands and created nine new provinces, presenting a major challenge of integration that persists to this day.

In contrast to the situation in the early 1990s, demands for separation played only a minor role. The demands of nationalistic Afrikaner fringe groups could be assuaged politically with offers of autonomy; among other things, the government decided to establish an office for minorities within the office of the president. The government's monopoly on the use of force is established in principle, although violent criminals exercise de facto rule in certain lawless regions, including some areas of Cape Town, where even the security forces are unable to maintain order.

Despite great ethnic heterogeneity, members of all groups profess allegiance to the South African nation; at the same time, the minorities place a high value on

their cultural and linguistic autonomy. Citizenship is clearly defined by law. Illegal immigrants—mainly from neighboring countries and estimated at several million in number—pose mounting problems.

(2) *Political participation*: Democratic elections to the National Assembly and to regional and local bodies are held at regular intervals. All citizens are entitled to vote, but three million eligible voters failed to register for the 1999 elections for the National Assembly. Voter registration rates were lower among white, colored and Indian citizens than among black South Africans. The main reason was the complicated procedure for voter registration, though many voters stayed away because they lacked a sense of identification with the parties. The 1999 National Assembly elections and the local elections in 2000 conformed to democratic principles, although there were isolated organizational problems and a few instances of intimidation in certain regions.

Civil society organizations had full autonomy; the media were independent. Broad segments of an active civil society and the media saw themselves as the watchdogs of democracy.

(3) *Rule of law*: The separation of powers among the executive, legislative and judicial branches in South Africa was functional, although the government's overwhelming majority in parliament (266 of 400 seats, one seat less than the constitutional two-thirds majority) weakened that body's watchdog function and made a vote of no confidence only a theoretical possibility. Parliament carried little weight against the powerful executive branch, because a delegate who left one party or switched to another automatically ceased to be a delegate.

As for the judiciary, the active and self-confident Constitutional Court has handed the government a number of defeats and forced several changes in the laws. For example, in 2002 the court compelled the Mbeki government to modify its anti-AIDS policy, which experts described as flawed. The government and the ANC-dominated parliament tried in vain to influence the Constitutional Court through constitutional amendments. With few exceptions, the judiciary was not politicized; rather, it operated fairly professionally and maintained political neutrality.

Violent crime is rampant in South Africa, which caused controversial discussions over how to intensify efforts to combat crime without violating personal freedom and civil liberties. Human rights organizations following the war on crime regularly report human rights violations by security forces who mistreat criminals or suspects in their custody. So far, the government's measures to counter such behavior have fallen short. The parallel existence of modern and traditional laws, especially in rural areas, hinders the full implementation of human rights, for example, the equal treatment of men and women.

To address the serious and widespread human rights violations that occurred under the apartheid system and, to a lesser extent, within the independence movements, South Africa established an independent Truth and Reconciliation Commission (TRC). The commission presented its first report in 1998, followed by others in subsequent years. The reports triggered storms of controversy on the domestic political scene. Despite some shortcomings, by the time the commission was formally dissolved in March 2002 it had contributed significantly to clarifying the facts around many cases and, over time, to fostering reconciliation between different population groups. Deficiencies still remain in regard to reparations to victims, which the government so far has tackled with great hesitation.

Corruption remained at a high level during the period under review. Corruption is the order of the day, particularly in certain provincial government systems that have evolved out of the former—and already notoriously corrupt—homeland administrations; this even extends to the police force. One of the major and still unresolved cases of corruption involves the bribery of high-ranking officials and ANC politicians in the awarding of huge arms contracts to European firms. The public shares a broad consensus on the need for an effective anti-corruption campaign. The ANC's *laissez-faire* attitude toward corruption has a negative impact. On the whole, corruption has not assumed proportions that threaten to derail South Africa's transformation. However, the lack of good governance makes it more difficult to implement reforms and tarnishes the image of the government and politics in general.

### **3.1.2 Political patterns of behavior and attitudes**

*(1) Institutional stability:* The institutions established under the final constitution of 1996 have so far proven stable. Most of the country's institutions operated efficiently. Nevertheless, certain ministries and semipublic or public administrative bodies harbored inefficiency. For example, while significant improvements to infrastructure were achieved, measures to fight crime and to curb the AIDS pandemic have faltered.

All the politically relevant groups accepted South Africa's democratic institutions. There were no bodies vetoing it, although the use of political force against democratic institutions by extremist groups, especially among the white right, cannot be ruled out entirely. The strong dominance of the ANC poses a threat to institutional stability and efficiency because it impedes democratic checks and balances, can warp the constitution's logic, and increases the bureaucracy's susceptibility to political corruption.

*(2) Political and social integration:* Under South Africa's system of purely proportional representation, members of Parliament have little connection to their

constituencies. Because the party leadership chooses the candidates for elections, delegates rarely introduce independent initiatives or stray from the party line.

The party system can be described as a dominant party system, with the ANC at its center. The ANC took 66 % of the votes in the most recent parliamentary election; it governs five of the nine provinces on its own and two others as part of coalitions. At the national level, the ANC governs in a coalition with the IFP, a regional party that won 8.3 % of the votes in the last election. Though the ANC received sufficient votes to govern without the IFP, the coalition represents a successful attempt to integrate the IFP into the political system and to counter the history of extremely violent conflicts between members of the two parties.

The ANC has a huge lead in votes over its strongest opposition party. The right-leaning liberal Democratic Party, supported almost entirely by whites, garnered just 9.7 % of the votes. Anti-establishment parties formed by Boer nationalists or African movements gleaned only a few percent of the votes and are barely represented in Parliament.

One reason for the weakness of the opposition parties is their historical identification with apartheid; they gain no support from blacks. Another is that the ANC benefits from its legendary image as a liberation movement. In addition, the opposition parties have suffered mostly self-created problems relating to leadership personalities and agendas. In addition, ethnic lines dominate the party system.

The only party organized to reach beyond ethnic lines is the United Democratic Movement (UDM). However, the resignation of the party leadership's (white) member Roelf Mey weakened the party and after 14 Members of Parliament left the party in early 2003 and became members of the ANC it is in danger of losing its importance altogether. The parties are losing their societal roots. Until 1999 the ANC had lost half of its members (of around one a million membership altogether). Within the ANC, a trend toward centralizing power by tighter discipline of the party and its regional branches has been in evidence for years.

The civic organization of South African society is very developed even compared with countries outside Africa. On the one hand, the country has a wide variety of traditional interest groups and industrial associations, chief among them the labor movement with its more than three million members. The umbrella organization COSATU is particularly important because its member unions, primarily representing industrial workers, are well organized.

COSATU has a great influence on labor market and social policies. In 1994 it succeeded to increase the employers' status within labor laws, especially in the formal sector. In 1998 Parliament passed the Employment Equity Act which prohibits any kind of discrimination, provides the preferential treatment of colored workers (affirmative action) and immensely improves the prerogatives for the

integration of women in the labor market. With its close ties to the ANC, COSATU wields great influence on labor laws and social policy—areas where it has the potential to erect blockades. While COSATU and the likewise well-organized business lobbies effectively represent their clientele's interests, other social groups, such as agricultural workers, are poorly organized. The government has successfully endeavored to integrate its social partners into cooperative bodies to guide economic and social reforms, but cannot be said to have co-opted them.

On the other hand, an extremely broad array of nongovernmental, self-help and civic organizations sprouted in reaction to apartheid, especially in the 1980s. During the 1990s, both the NGOs and the civic organizations formed umbrella organizations to act on a national level. Other forces included the churches of the major denominations and a great many other religious groups. Even though most of these organizations have lost members in recent years—against the backdrop of a generally declining willingness to engage in political activity—they remain a vehicle for political participation and generate a certain confidence in the system. Like in the party system, interest groups and civic organizations are mostly separated along ethnic lines.

The traditional authorities known as *chiefs* pose a special problem, primarily in rural regions. Though many were corrupted by the salaries they received under the apartheid system, the chiefs still wield authority, particularly in rural areas, in, for example, questions of inheritance and marriage. The new Constitution established advisory bodies at various administrative levels under the traditional leaders' purview, but so far these efforts have not resolved the tensions between modern and traditional laws. It has become necessary to redefine the chiefs' role and their spheres of competence. The government's goal was to include the chiefs, most of whom are conservative or traditional in orientation, into the system.

In regard to support for democracy in general and for its central institutions, the following trends can be observed: According to Afrobarometer surveys, in 1999–2001 60 % of South Africans found democracy preferable to any other form of government. But only 26 % described their own country as completely democratic; 24 % considered it democratic with minor problems. A scant majority (52 %) expressed satisfaction with the way democracy works in South Africa.

There are no signs of nostalgia for apartheid among the vast majority of South Africans (including whites). Approval for, or confidence in, political institutions has declined since 1994: In a mid-2000 poll, 41 % of those surveyed said they had confidence in the president and only 34 % expressed confidence in parliament. For other institutions, such as the police, the judiciary, and so forth, the confidence figures lay between 35 % and 44 %. The figures were even lower when it came to satisfaction with economic and social policies. On the whole, democracy as a form of government and a standard enjoys strong support, while concrete policies reap far more criticism. Disappointment with the work of the

Mbeki government also took its toll on voter turnout (just 48.07 %) for local elections in 2000.

## **3.2 Market economy**

The Republic of South Africa's economic system has always functioned according to market economy principles. The large mining companies formed after the discovery of gold and diamonds in the late 1800s still dominate much of the economy. The state and parastatal sector (for example, energy and transportation) expanded in the 1920s and 1930s under governments dominated by Afrikaner parties promoting "Volkskapitalisme" (people's capitalism).

### **3.2.1 Level of socioeconomic development**

South Africa's level of development is difficult to classify. The country boasts an excellent infrastructure, very modern industrial plants and service providers, and a globally competitive agricultural economy, but there is underdevelopment, particularly in rural regions. South Africa can best be described as a semi-industrialized developing country. It has the strongest economy in sub-Saharan Africa: Although just 7 % of black Africa's population lives in South Africa, the country contributes 43 % of the GDP of black Africa.

Apartheid has left South Africa's different ethnic groups with extreme disparities in income and standard of living. Poverty is widespread; according to estimates, in 1999 about 50 % of the population had less than \$2 a day to spend. There is a high correlation between poverty and skin color; official figures place about 60 % of blacks and 38 % of coloreds below the poverty line, but only about 1 % of whites and 5 % of the Indian population. Less than 3 % of the national income goes to the poorest 40 % of the population, while the richest 10 % earn more than 50 % of the national income.

After 1994, the income gap between poor and rich households widened unrelated to skin color. Incomes rose and fell along very different paths. The black middle class grew and the rich enjoyed a disproportionate rise in income; however, poverty increased and most blacks, but also many whites, suffered a loss in real income. Ostentatious displays of wealth by some of the new elite further exacerbate social polarization. Despite the government's efforts to counter this with sociopolitical reforms, stark social differences persisted between and within the various population groups. The vast and pervasive socioeconomic disparities and the extremely unequal distribution of the national income meant that only a minority of South Africa's citizens enjoy upward mobility.



### **3.2.2 Market structures and Competition**

South Africa has further liberalized its markets in recent years. The deregulation of foreign trade, begun in the early 1990s, was largely completed during the period under review. After 1996, the controls on foreign currency exchange and on the movement of capital were further dismantled, step by step. As a result, South Africa is now largely reintegrated into the global economy and the country's flourishing financial market has restored its connections to the international capital and financial markets. The country's numerous public or semipublic enterprises, which often dominate their markets, are not yet fully privatized. Stumbling blocks include political considerations, such as union resistance, as well as unfavorable world economic conditions, such as turbulence in the stock markets.

In 2003, for example, the government planned to list the telecommunications firm Telkom on the stock exchange, offering a portion of the shares to black South Africans at a discount. The restructuring of large enterprises was still in full swing; for example, the largest South African company, the Anglo-American Corporation, moved its headquarters to London in 1998.

### **3.2.3 Stability of currency and prices**

The South African Reserve Bank operates autonomously as the central bank, despite the fact that its new governor Tito Mboweni, is a former union leader and labor minister. The bank pursues a stability-oriented policy. Its restrictive interest rate and monetary policy has markedly curbed inflation, which now fluctuates in the single-digit range. The South African rand has run a turbulent course; in 2001 alone, its value dropped by more than 20 % relative to the US dollar. Triggering factors included a massive outflow of capital (reflecting a crisis of confidence in response to low growth rates, the muddled AIDS policy and the regional crisis in Zimbabwe) and a huge wave of speculation. During the general uncertainty in financial markets after September 2001, the price of gold rose and the South African rand gained in value relative to the US dollar.

Since 1996, when South Africa's economic policy shifted from a rather Keynesian approach to a more markedly neoliberal policy under the Growth, Employment and Redistribution (GEAR) program, the government has practiced strict budgetary discipline. Total debt dropped in 2002 to 45 % of GDP (lower than the level in the Federal Republic of Germany); new debt for 2002 amounted to circa 1.4 % of GDP.

### **3.2.4 Private property**

The South African constitution expressly protects private property. Land ownership represents a politically explosive issue, not least because land is so important in the African cultural context. Under apartheid, land was forcibly expropriated for white farmers and settlers; its original inhabitants were resettled elsewhere, often by violent means. In 1995, the South African government created a Land Commission to clear up property claims and in some cases to restore land to its original owners. Any expropriation required compensation. In cases where people demand their land back, the Land Commission attempts to reach an agreement based on the principle of “willing buyer–willing seller.” Of 67,000 cases concerning land restitution, the Commission had processed barely 13,000 cases by 2001. So far, only a very few cases of land occupation have been resolved without escalating violence. Controversial land issues in Zimbabwe and Namibia have meant that land ownership remains a thorny issue in South Africa. Widespread dissatisfaction with the Land Commission’s very slow pace exacerbates the situation.

To improve the standard of living among blacks, the government has established a policy known as black empowerment, offering targeted aid to black companies through government loans and consultancy services. It also called on white companies to give preference to black suppliers and other black businesses when placing orders. Although the measures did increase both the number of blacks in leadership positions (particularly in public service) and the percentage of black business owners, setting in motion the “Africanization” of economic life, bureaucratic inefficiency has hampered its success. Furthermore, the systematic preference given to blacks under this affirmative action has induced white and Indian business leaders—already prone to emigrate because of South Africa’s high crime rate—to leave in even greater numbers. Over the years, tens of thousands of highly qualified specialists and leaders have emigrated, mainly to Canada or Australia—a loss the country can ill afford.

The number of black-owned companies declined in recent years. Stock market turbulence was one contributing factor. Furthermore, despite some impressive success stories among black-owned companies, many businesses simply could not compete in the marketplace. This winnowing of black companies continues today. At the end of 2002, black companies controlled 9.5 % of the capital stock of the 115 companies listed on the Johannesburg market.

### **3.2.5 Welfare system**

In view of South Africa’s widespread poverty and enormous social disparities, the development of a social welfare system has had high priority since 1994. The social sector (education, health, housing construction, pensions) accounts for almost 50 % of budgetary expenditures. Provision of basic needs—water,

electricity and health care—continued to improve, though not as markedly as in previous years. The rudiments of a social safety net are well in place. In 2001, about five million South Africans received social benefits; in comparison with other African states, the South African welfare system is certainly functioning, although serious bottlenecks persist in some regions.

One obstacle to the construction of a social welfare system is the extremely high unemployment rate. In 1998 and 1999, South African industry lost thousands of jobs. Large South African companies moved investments to foreign countries; as industry pay scales at home rise against those of direct competitors in other countries, they responded with cost-cutting measures. The introduction of a minimum wage for household and agricultural workers makes sense from the standpoint of social policy, but it can reduce employers' willingness to hire additional employees. Development of an unemployment insurance system got underway in 2002.

The enormous number of HIV-infected people threatens to overwhelm the health care system. According to UNAIDS reports, at the end of 2001 about 20 % of the population aged 15 to 49 was infected. The high treatment costs for AIDS patients has devastated the financial resources of South Africa's fledgling health care system.

### **3.2.6 Strength of the economy**

The macroeconomic development indicators for the last five years show an uneven picture. On the one hand, the statistics reflect a high level of macroeconomic stability with a low inflation rate and a small budget deficit. On the other hand, growth rates remained too low; as a result, unemployment stagnated at a high level. Not until the third quarter of 2002 did job growth appear in the formal sector, accompanied by a drop in employment figures for the informal sector and agriculture.

**Table: Macroeconomic Indicators**

	1998	1999	2000	2001	2002
Growth of GDP (real)	0.8 %	2.1 %	3.4 %	2.2 %	3.4 % <sup>1</sup>
Inflation rate <sup>2</sup>	6.9 %	5.2 %	5.3 %	5.7 %	8.0 % <sup>1</sup>
Imports <sup>3</sup>			7.2 %	0.4 %	7.7 %
Exports			8.3 %	2.4 %	4.5 %
Current account balance <sup>4</sup>	-0.4	-0.3	0.3		
Budget deficit	3.3 %	3.5 %	2.4 %	2 %	
Unemployment <sup>5</sup>	38 %	35 %	36.2 %	41.3 %	41.8 %

Sources: Economic Intelligence Unit, Country Report South Africa, June 2002; *Afrika-Jahrbuch* 1998ff.

<sup>1</sup> Estimated; other sources report this as ca. 10 % (NZZ 28 March 2003).

<sup>2</sup> Consumer Price Index; <sup>3</sup> Goods and services; <sup>4</sup> Deficit as percentage of GDP.

<sup>5</sup> Loosely defined; the official government figures are far lower, at ca. 25 %.

Although per capita income rose steadily, income distribution remained unequal; thus, the Gini index is still quite high. Growth sectors and branches included the automobile industry, the service sector (transportation, warehousing) and the mobile telecommunications market. The agriculture sector was another strong performer, along with tourism, which has flourished for years despite the high crime rate. Exports increasingly became a source of growth.

The rising price of gold, caused by international tensions in the wake of September 2001 promoted growth because gold still accounts for some 10 % to 15 % of export earnings. But in view of the country's social demands, economists regard South Africa's economic growth as inadequate over the long haul. To turn the job market around and finance the planned expansion of the social safety net, the country needs growth rates of about 5 % to 6 %.

### 3.2.7 Sustainability

In the face of severe social problems and the need to grow the national economy, ecological considerations have played a minor role. However, ecological awareness certainly exists. Numerous laws and regulations are in force to protect South Africa's natural resources. The government also continued its major efforts to preserve the country's unique flora and fauna, especially in the nature preserves, because of their importance for tourism. In the long term, the intensive agricultural use of soil presents a threat to ecological stability.

The government has given consistently high priority to developing the educational system, once segregated along ethnic lines. Expenditures for education were the largest single line item, amounting to 22 % of the budget for 1995-1997 and 21.6 % for fiscal year 2000-2001. Expenditures for education and training represented 7.6 % of GDP. The government concentrated on developing primary and secondary schools. Overall, access to education improved for all ethnic groups. Although the estimated illiteracy rate lingered between 15 % and 30 %, it did decline somewhat.

Certain provinces (such as the Eastern Cape) still suffer glaring deficiencies in postsecondary education, teacher training and school buildings and equipment. Another problem lies in the persistently high proportion of secondary and postsecondary students who do not pass their examinations. The university system, though stronger than others in Africa, joined the lower schools in a sustained phase of reconstruction. The number of university students—just 17 % of an age cohort (1998)—is low by international standards. The paucity of university students in the natural sciences and engineering can have long-term repercussions for the national economy. The universities increasingly suffered from problems of capacity and quality as well as the stress of reform. The proportion of black university students increased to about 60 % and is slowly approaching the proportion of blacks in the population.

#### **4. Trend**

South Africa gained relatively little ground during the period under study. The institutional framework did not change significantly; a critical turnabout had already occurred with the first free elections in 1994 and the adoption of the final constitution in 1996. In the 1999 elections, the ANC expanded its already dominant position. Although this poses no threat to the transformation process as a whole, the concentration of power in the hands of the ANC weakens the ability of the parliamentary opposition and civil society to exercise political checks and balances. Also of concern was an increase in corruption and economic mismanagement. The government's liberal economic policy and restrictive fiscal policy placed considerable stress on the informal alliance of the COSATU, the SACP and the ANC. This tripartite alliance began to evolve into a two-camp alliance, in which broad segments of the COSATU membership and the SACP pushed for stronger government intervention in economic affairs.

The overall course of the South African economy improved only slightly. Macroeconomic development remained stable, though lacking in much-needed dynamism. The structural obstacles to growth remained stubbornly in place. South Africa still exhibits serious social disparities, and its income distribution remains extremely uneven by international standards. Nevertheless, redistributive measures and targeted budgetary realignments have brought progress in the social arena—progress reflected in the decreasing Gini index, among other indicators:

**Table: Development of socioeconomic indicators of modernization**

	HDI	GDI	GDP Index	Gini index	UN Education Index	Political representation of women*	GDP per capita (\$, PPP)
<b>1998</b>	0.697	0.689	0.74	69.0**	0.88	28%	8488
<b>2000</b>	0.695	0.689	0.66	59.3	0.88	30.15%	9401

Sources: <http://hdr.undp.org/reports/global/2002>

<http://undp.org/hdr2000.english/FAOs.html>

\*Percentage of women in Parliament \*\* 1996

Within single population groups the Gini index clearly increased: Among the Colored population it showed an increase from 35 to 51 between 1990 and 1995. Positive developments included the efforts to develop at least a rudimentary social welfare system. Given the extent of the problem and the generally halting pace of the economy, achieving this will take a long time.

## 5. Transformation management

### 5.1 Level of difficulty

South Africa faced difficult conditions for transformation for several reasons. First of all, centuries of extreme ethnic and racial fragmentation have created a landscape of distinct social positions and disparate life opportunities. As a result, South African society is still heterogeneous, riven with social fissures and fraught with social tension. Widespread poverty, a low education level and the catastrophic AIDS pandemic provided a deep breeding ground for rampant crime.

Given the social situation of much of the population, the government must pursue an active social policy with budgetary realignments and redistributive measures. Unless these measures rest on the broadest possible consensus, economic performance could suffer. Secondly, apartheid and the struggle for independence also have had political repercussions in that the party system remains split along racial lines.

Thirdly, South Africa found itself in an unstable regional environment, chiefly because of the situation in Zimbabwe. The lower standard of living in neighboring countries brought an influx of several million illegal immigrants, whom broad segments of the population view as a threat to their already precarious social conditions. In view of the difficult originating conditions—and despite many pessimistic predictions—the transformation since 1994 has proceeded relatively well and peacefully.

## **5.2 Reliable pursuit of goals**

The South African government pursued a reform strategy oriented toward the long term; it aimed to modify existing social and economic objectives gradually, without challenging the existing framework. Particularly in its economic policy, the government implemented its liberal strategy against massive resistance from the unions and other hardliners. The same is true of its controversial privatization policy; though slowed by that resistance, privatization generally continues to advance. In certain areas—for example, stemming the AIDS pandemic, combating crime and improving the education system—the government’s policies are inconsistent and less than optimal. Although the government has managed to engender a basic confidence in the efficiency of its administration among most of the population, these deficits and the widespread mistrust among whites yielded signs of uncertainty and a lack of identification with the new South Africa.

## **5.3 Effective use of resources**

The South African government does not always use available resources effectively. The civil service remains overstuffed, and its performance has deteriorated because of affirmative action, mounting corruption, and the like. However, this assessment is relative; compared to other African countries, the civil service functions well. The government’s development programs were notable and showed further progress in meeting basic needs. Because of a restrictive spending policy, the state’s overall debt was low and the country was systematically paying off its already relatively minor foreign debt.

The 1994 restructuring of the country created nine provinces, each with its own constitution, parliament, budget and administration. The sources of provincial revenue were unsatisfactory, causing problems from the start. Insufficient budgetary discipline, notorious corruption scandals and ineffectual government in certain provinces led to intensive discussions about further reform of South Africa’s relatively weak federal system, including reform of local administrative systems. Reforms in this area remain incomplete.

The legacies of apartheid had severely hampered any sense of a shared national identity among the individual population groups, as they all had such different experiences and perceptions of that phase of the country’s history. The same applied to the ways they viewed the struggle for independence. The South African government under Nelson Mandela, therefore, regarded the establishment of a new democratic identity as crucial to the country’s reconstruction. They believed the very process of democratization, including the drafting of a new constitution, would provide potential positive collective experiences and a new national identity. National identity was consciously promoted through pride in the constitution, a politics of reconciliation and the model of a multicultural society, for which the religiously charged image of a rainbow nation was used.

The government elected in 1999 under Thabo Mbeki pursued this policy much less vigorously. Rather, the new president emphasized Africanist ideas, framed in the concept of an African Renaissance. Although this approach is also theoretically inclusive, the smaller population groups, such as those of Indian ancestry, saw it otherwise. Relations among the individual ethnic groups have grown more difficult and more polarized; as a result, the country's cultural resources are not sustainably utilized to promote stability.

#### **5.4 Governance capability**

The South African government is well aware of the complexity of the country's problems and generally responds pragmatically and only rarely ideologically. It is impressive to see how broad segments of the black elite who learned their politics in socialist states have become distanced from ideology, or how ideology has largely turned to rhetoric. On the whole, South Africa's leaders are quite willing to admit mistakes and to learn from them to frame alternative policies, though changes come very slowly, as in the policy on AIDS. The government's authority and prestige is perceived differently among the various population groups. The government is most highly regarded among blacks; it is mainly whites and Indians who experience reservations and feelings of insecurity. .

After the change in economic policy in 1996, the government clearly contributed to improving the efficiency of the markets. A comprehensive reform strategy with clear goals and programs did not exist. The government was therefore often compelled to act simultaneously on many fronts and to respond ad hoc to immediate challenges. As a result of not being really thought through, many reform projects encountered massive resistance from the people they affected.

#### **5.5 Consensus-building**

Transformation in South Africa essentially emerged through a negotiation process between elites who were prepared to compromise, culminating in the adoption of a new constitution that reflected consensus. At its core, this consensus rested on achieving a market-economy democracy that guaranteed the security and inclusion of all population groups. The result was that political disputes centered not on basic questions, but rather on how to achieve these goals. Potential obstructionists could be either integrated into the process or politically marginalized (through elections) as happened with the Afrikaner right and the radical Pan African Congress (PAC). The army and the security forces behaved loyally and did not represent an independent political force.

Far more serious threats to democracy in South Africa lay in the deep and lingering social cleavages and looming societal anomie. Seeking to bridge these



rifts, the government also called on the country's well-organized civic organizations, which largely shared the government's development goals but kept their distance politically. The establishment of a Truth and Reconciliation Commission helped to build consensus, compared with similar efforts elsewhere and particularly in Africa. The Commission has laid the foundation for reconciliation, though this will take a long time to reach.

## **5.6 International cooperation**

From the start, the international donor community has supported the transformation process in South Africa, providing financial assistance and political guidance. The country reached a free trade agreement with the EU, its most important trade partner, but only after long years of extremely difficult negotiations. The EU's hard line in the negotiations demonstrated that the outside world views South Africa not as a traditional developing country with a claim to preferential treatment but as a competitor in certain areas. The country received \$487.5 million as development aid in 2000. This sum—just 0.4 % of GDP and \$11.30 per capita—illustrates South Africa's minimal dependence on foreign aid. Political advice from abroad contributed significantly to the success of the transformation, addressing the constitution and the design of institutions, among other issues. Many of South Africa's institutions and principles, including federalism and the Constitutional Court, reflect this guidance.

South African leaders were generally quite willing to cooperate with foreign countries, although the Mbeki government sometimes reacted testily to criticism, for example of its policy on AIDS. In the economic arena, the government opted for a reintegration into the global economy and strongly supported the strategies of the IMF and the World Bank. South Africa has belonged to the Southern African Development Community (SADC) since 1994 and forms a tight-knit customs union with several countries. Relations with its neighboring states were close, but not unproblematic, because South Africa increasingly dominated the economic region.

The country's foreign policy was characterized by restraint. South Africa's moderate criticism of Robert Mugabe's autocratic and brutal policies in neighboring Zimbabwe met with little understanding abroad and diminished the government's stature. South Africa staunchly supported the New Partnership for Africa's Development (NEPAD) initiative, which combines a self-critical diagnosis of the continent's development status with an ambitious development program. Behind the scenes, South Africa also worked for a settlement of the Congo crisis and mediated in Burundi. Although these attempts have yet to yield any spectacular breakthroughs, the policy was constructive. Donors regard South Africa as a potential regional anchor for development and stability. The country stands as a pillar of hope for Africa.

## 6. Overall evaluation

(1) *Initial conditions:* The initial conditions for transformation can be categorized as very difficult. Granted, South Africa had assets that bode well for development, including vast mineral resources and a modern infrastructure. But social and economic disparities among the country's population groups, along with the violent and conflict-ridden history of apartheid, have weighed heavily on the transformation process ever since it began in 1990. The nation found it imperative to deal with its past, even though this task clearly promised to be legally, psychologically and politically explosive. Policymakers were confronted with high expectations on the part of the hitherto disadvantaged blacks and coloreds and, in equal measure, with fear of loss on the part of the hitherto privileged whites.

The adoption of the final constitution in 1996 had confirmed the politically crucial decisions and established a set of capable institutions. The next step toward transformation was reconstruction. Priority in this phase went to the improvement of economic and social conditions. Upon taking office in 1999, the Mbeki government proclaimed its most important goal as being to raise the standard of living for the majority of the population. Mbeki's task was all the more difficult because he followed in the footsteps of Nelson Mandela, whose charisma, personal integrity and ability to bring people together had done so much to bring democracy to South Africa. The catastrophic spread of AIDS and the crisis in Zimbabwe only added to the challenges.

(2) *Current status and evolution:* Little ground was gained between 1998 and 2003, particularly compared with the advances of 1994-1998. Although transformation did move forward, the pace slowed so much that in certain areas it might well have stopped altogether. However, at least no ground was lost. Overall, transformation proved much more difficult than had been expected. The government continued on its reform course, but without spectacular successes.

In the political realm, the ANC remained dominant and the parliamentary opposition weak, underlining the unsatisfactory state of the party system. The various actors' penchant for coalitions—the ANC and the New National Party (NNP) forged a co-governing agreement in Western Cape in 2001, and the IFP took part in government at the national level—continued to hinder the formation of strong opposition parties. There were shortcomings in the rule of law relating to the fight against crime, the guarantee of public safety and the functioning of regional and local administrative systems.

However, the majority of voters persisted in their loyalty to the ANC government, mainly because the political party landscape offered no alternative. South Africa's civil society remained a strong independent force, but the population's apathy and detachment from politics have weakened many groups. On the economic front, South Africa's economic policies have brought significantly increased stability

and a rise in exports despite some external shocks. There was progress in privatization and deregulation of the capital markets. Growth, though sustained, was too slight to trigger a turnaround in the job market.

The GEAR program fell short of its ambitious target of 6 % annual growth. The high unemployment rate, along with the poverty to which it contributes, could eventually become the Achilles' heel of transformation in South Africa. Structural problems such as low savings and investment rates have kept the economy from taking off. The government made progress in meeting the population's basic needs (health care, education, etc.) and in building at least a rudimentary social welfare system. Violent crime, increasingly directed at women and children, declined only slightly.

(3) *Management:* The verdict on the performance of those managing transformation is mixed. The general consensus about democracy and a market economy ended when it came to economic policy. Despite massive resistance from the powerful unions, the government held resolutely to its liberal plans and budgetary restrictions.

Its managerial achievements yielded widely varying success in individual policy areas, complicating an overall evaluation. The government won support for its programs from some segments of the population, but not all; the white and Indian minorities, in particular, do not identify fully with the new South Africa. The government relies on cooperation with churches and with civil society to solve social problems and to fight crime. The extent to which this innovative strategy will succeed remains to be seen.

## **7. Outlook**

Initially, observers of transformation in South Africa estimated its chances as very good and in some respects excellent. Experts now regard the country's prospects more cautiously and far more realistically. Internal factors will determine the country's further development. Of pivotal importance is the future course of the ANC and the coalition. Pessimists predict that South Africa will turn into a de facto single-party state and that the ANC, without sufficient checks and balances, will grow increasingly corrupt and authoritarian. Other less pessimistic scenarios emphasize possible splits within the ANC, in view of the considerable tensions in the tripartite alliance and factional infighting within the broad ANC movement. But such expectations seem not very realistic at the moment.

South Africa's political course greatly depends on the development of the party system and hence on the strength of the opposition parties. At present, the entire opposition is so weak that a defeat of the ANC in the 2004 elections seems highly unlikely. The provision that delegates who switch parties or leave their party automatically lose their seats in parliament was repealed in March 2003. Until

now both the ANC and the DP gain from party switches; the ANC for example now has 275 delegates and with that a majority with which it can manage constitutional amendments. However, political developments will also depend on improving the majority's bleak living conditions and stemming the AIDS pandemic—two social landmines.