

**INDLULAMITHI  
SOUTH AFRICA SCENARIOS**

**2030**

**MODELS AND INDICATORS EDITION (2019)**



**SOUTH AFRICA  
SCENARIOS 2030**

**INDLULAMITHI**

# CONTENTS

<b>FOREWORD</b>	
<b>INTRODUCTION</b>	<b>1</b>
<b>METHODOLOGY</b>	<b>4</b>
<b>VARIABLES</b>	<b>7</b>
<b>KEY DRIVING FORCES</b>	<b>24</b>
<b>KDF 1: Social Inequality</b>	<b>24</b>
<b>KDF 2: Reconciliation, Resistance and Resentment (RRR)</b>	<b>26</b>
<b>KDF 3: Institutional and Leadership Capacity</b>	<b>27</b>
<b>THE WORLD IN 2030</b>	<b>28</b>
<b>THREE FUTURES FOR SOUTH AFRICA</b>	<b>30</b>
<b>ISBHUJWA: An enclave bourgeois nation</b>	<b>32</b>
<b>Economic modelling of iSbhujwa</b>	<b>40</b>
<b>NAYI LE WALK: A nation in step with itself</b>	<b>42</b>
<b>Economic modelling of Nayi Le Walk</b>	<b>51</b>
<b>GWARA GWARA: A floundering false dawn</b>	<b>55</b>
<b>Economic modelling of Gwara Gwara</b>	<b>62</b>
<b>TRACKING THE SCENARIOS: Constructing the Indlulamithi Barometer</b>	<b>64</b>
<b>COMMUNICATING THE SCENARIOS: Stakeholder briefings</b>	<b>78</b>
<b>APPENDIX: Basic structure and features of ADRS's Dynamically Integrated Macro-Micro Simulation Model of South Africa (DIMMSIM™)</b>	<b>82</b>
<b>INDLULAMITHI STEERING COMMITTEE</b>	<b>87</b>
<b>INDLULAMITHI RESEARCHERS</b>	<b>88</b>
<b>CORE PARTICIPANTS AND INTERVIEWEES</b>	<b>89</b>
<b>SPONSORS &amp; SUPPORTERS</b>	<b>90</b>

# FOREWORD

At the *Indlulamithi* South Africa Scenarios 2030 launch on June 21 2018, the *Indlulamithi* team promised that these scenarios would not be a once-off exercise, but would track the country's trajectory going forward through rigorous research and continuous consultations with key sectors of society. We set ourselves the task of gauging how the scenarios unfold each year in 'real-time' and undertook to benchmark the scenario narratives by developing various metrics and conceptual frameworks.

We would like the *Indlulamithi* Scenarios to continue to be a key part of our society's strategic conversation about the future. In the past year, we have:

- Deepened our understanding of the twenty-five key variables that the scenarios are built around.
- Embarked on a national *Indlulamithi* scenarios rollout via a series of roadshows.
- Developed economic models to address all the key assumptions made in each scenario. These were developed by Applied Development Research Solutions (ADRS).
- Created an *Indlulamithi* Scenarios Social Cohesion Barometer in partnership with Social Surveys Africa which will help detect any shifts in South Africa's future trajectory towards or away from each of the three scenarios.

After a successful election South Africa in May 2019, there are many hopeful

signs of policy and leadership stability and a number of new plans to tackle economic and social issues that need to be addressed urgently. The tenor of national conversation has shifted to one dominated by the need to expose and interdict state capture while simultaneously stimulating the country's economy.

An inaugural South Africa Investment Conference in October 2018 attracted around R300 billion in investment pledges. The issue of unemployment was intensively discussed at a Presidential Jobs Summit. A high-level Review Panel on the State Security Agency was appointed to facilitate the reconstitution of the country's National Intelligence services. Due to the persistence of high levels of femicide and gender-based violence in South Africa, a Summit on Gender-Based Violence and Femicide was convened in October 2018.

This season of hope, dubbed the 'New Dawn', has seen almost all state-owned enterprises get new Boards of Directors. Likewise, the National Prosecuting Authority (NPA) is now led by a new National Director of Public Prosecutions and four major commissions of inquiry have been instituted to deal with state capture, corruption and mismanagement in the public sector. The country's investment grade rating has remained, while the country's domestic outlook was upgraded from negative to stable.

Though South Africa appears to be on a new and better developmental trajectory, it is important to remember that the political, economic and

social outlook was grim in 2017 when the *Indlulamithi* scenarios process began. South Africa was then in the middle of a poly-crisis - in economics, politics, the environment and society in general. Social cohesion in the country was arguably at its lowest since 1994.

Twenty-four years into democracy South Africa was widely seen as drifting away from its values enshrined in the Constitution, of "human dignity, the achievement of equality and the advancement of human rights and freedoms, non-racialism and non-sexism and the supremacy of the rule of law." Political contestations within the ruling party and among political parties had become more protracted and vicious, while labour and business were moving ever further apart while economic growth stalled.

State capture was increasingly exposed through dogged investigative journalism and the so-called 'Gupta Leaks', together with thorough and impartial investigations by the then Public Protector, and via some landmark court judgements. Many private sector companies were found to be involved in state capture or corruption of various kinds.

The economy was limping along, and service delivery protests were reported almost daily as local government failed to provide basic services to citizens even as rates of serious crime increased.

The country was also experiencing the effects of global climate change. Cape Town was mostly affected with a severe drought, including the Free State, Eastern Cape and Northern Cape. Other parts of the country were similarly confronting extreme weather changes.

It was in this context, in 2017, that the *Indlulamithi* processes began, as a multi-stakeholder initiative aimed at facilitating dialogues within and among society about the future of social cohesion in the country. There was clear consensus that South Africa needed to develop a more inclusive social order that combines collaboration between sectors as the relationship between business, government and civil society remained fractious.

We hope that the scenarios will be utilised to improve national, regional and local planning capacity, enrich public policy decision-making and inform long-term investment decisions by stimulating creative thinking and breaking the habits of short-termism. We also hope the private sector and the civil society will find more ways to make use of these scenarios.

Most importantly, we hope to inspire a process of thinking about the actions we should take as a country to secure a better future and avoid certain hazards we may encounter along the way. As President Cyril Ramaphosa said at the launch of the scenarios in June 2018, "scenarios reinforce

the notion of agency - that as individuals and as a collective we can act in ways that determine the course of history."

During *Indlulamithi* Day on 21st June 2019, on the first anniversary of the launch, the Honourable Chief Justice, Mogoeng Mogoeng, as the keynote speaker, urged South Africans to draw on the wisdom of the *Indlulamithi* Scenarios to develop solutions to address disunity in the country. "The time has come for us to collectively and creatively confront disunity on a daily basis and come up with constructive suggestions to address the challenges that we face as a country," he said. "May we leave this event, determined, in our small spaces, in our circles of influence, to be difference makers."

All indications are that the country is at a crossroads and decisions taken by government, private sector and civil society in the next year or two will determine the trajectory the country will follow for years to come. Ultimately, we would like to see *Indlulamithi* SA Scenarios 2030 being a point of reference and a source of information and inspiration for major national policy conversations and social compacting forums.



**Dr Somadoda Fikeni**

# INTRODUCTION

**What would a socially cohesive South Africa look like?  
And to what degree is this attainable by 2030?**

*Indlulamithi* South Africa Scenarios 2030 is a multi-stakeholder, research-driven initiative that seeks to reinvigorate our search, as a nation, for ways to create a society where all people experience a sense of belonging and solidarity. A South Africa where all have opportunities to build a better life. A nation where everyone can feel they can influence those in positions of power.

*Indlu-la-mi-thi* is the Nguni name for giraffe. It can be directly translated as ‘above the trees’. *Indlulamithi* South Africa Scenarios 2030 encourages big-picture and far-horizons thinking on the future of our country.

*Indlulamithi* provides tools – in the form of scenarios, research, facilitated workshops, downloadable presentations and booklets – to assist us to imagine

alternative futures more than a decade from today. These scenarios aim to focus both leaders from different sectors and people from all walks of life on the key questions:

*What would a socially cohesive South Africa look like?  
And to what degree is this attainable by 2030?*

The project is a response to the reality that, despite substantial progress over the past two decades, South Africa still faces major challenges. As a nation we are struggling to deal with a confluence of inadequate economic growth, widespread unemployment, sharp inequalities, low levels of fixed investment and frail levels of social capital. Cumulatively, these have a major impact on the living standards, safety, education and health of our people.

In 2017, a group of representatives from government, labour, academia, business and other stakeholders came together to establish *Indlulamithi* as a quest for change, centred on a long-term strategic view of South Africa.

## WHY 2030?

The year was chosen to coincide with the National Development Plan (NDP) timelines as well as those of the UN's Sustainable Development Goals (SDGs).

It also covers three national election cycles in South Africa in 2019, 2024 and 2029 – and two local government election cycles in 2021 and 2026.

The dates also cover three Soccer World Cups in 2022 (Qatar), 2026 (Mexico/USA/Canada as joint hosts) and 2030 (possibly Uruguay-Argentina-Paraguay joint bid, or England), three Rugby World Cups in 2019 (Japan), 2023 (France), 2027 (possibly Argentina), and three Summer Olympic Games 2020 (Tokyo), 2024 (Paris) and 2028 (Los Angeles).

*Indlulamithi* seeks to facilitate an open conversation on visions of a South African society that is socially integrated and where communities and institutions aspire to eradicate the social and economic inequalities that cause exclusion and injustice.

*Indlulamithi* seeks to help South Africans realise a common purpose and shared vision that focuses on appreciation of our diversity and on solidarity as a means to development and progress.

The project is led by Professor Somadoda Fikeni and is supported by a group of diverse stakeholders from government, labour, civil society and business.

This chosen focus – on social cohesion – emerged somewhat surprisingly for those hosting the initial meeting, who expected the gathering of leading economists, businesspeople, NGOs, retired jurists, trade unionists and public servants to coalesce mostly around the questions of the future of the economy. But many argued that unless social cohesion in its various dimensions is addressed – be it through reconciliation, or addressing inequality, or crafting a national identity, or rural/urban divides – our economic development strategies will flounder. And economic growth that doesn't promote social

cohesion might also take South Africa down a different road.

Following a structured scenario development methodology, researchers from Mapungubwe Institute for Strategic Reflection (MISTRA) began interviewing a range of people about social cohesion to explore what its dimensions would be, as well as what the long-term prospects for achieving more social cohesion in South Africa are.

The *Indlulamithi* project was intent on ensuring the involvement of a wide range of interviewees from every sector of South Africa and across all age groups, making sure that the young and unemployed

### SOCIAL COHESION

Social cohesion refers to the levels of integration and inclusion in communities and in society at large. Often it reflects various measures of participation or non-involvement in social organisations or institutions. It is shaped by disparities in income and wealth, as well as by levels of interpersonal and intergroup trust. Crime rates and frequencies of violence, as well as overall wellbeing and the general health of populations are often mirrored in measures of social cohesion. It is often encapsulated via expressions of common values and manifested in senses of nationhood and of shared ethics and ideals.

were prominent among those interviewed.

These interviews and months of intense research yielded 25 variables impacting social cohesion.

This research revealed a wide range of key issues, including the potentially divisive effect of the

4<sup>th</sup> Industrial Revolution on South Africa's continued high rates of unemployment, the South African middle class remaining small and vulnerable, the deepening of challenges around the education and health systems, and the continued impact of high CO<sub>2</sub> emissions.

Among the important variables identified were: negotiations around land, the impact of continued urbanisation and the expansion of social welfare regimes to address ongoing poverty.

Some of the research drew on the best recent 'overview' research or on scholarly research related to the National Development Plan's

strategies and developmental pathways.

Early childhood development and mother-tongue instruction were identified as key areas that need to be strengthened to ensure that learners succeed in later years. Young South Africans remain vulnerable and exposed to

a variety of assaults, with sexual abuse and human trafficking identified as particular dangers.

These scenarios have tried to build these dynamics into their design. Another major concern is that the notion of the South African family needs to be seriously recast. Only a third of SA's children are being brought up by two partners. A third are raised by their single mothers, and a further third are orphans, most times brought up by their grandmothers.

Our 'noisy democracy' and the roles of the Constitution, the Constitutional Court, civil society and the media – notwithstanding the spread of fake news – are explored as foundational forces which hold those in power accountable and facilitate transparency.

The 'incomplete democratic transition', accompanied by continued contestation around reconciliation, will likely see intensified resentment and resistance across race, class and gender lines. At its core will be debates around reconciliation into and towards 'what'? Many respondents rejected the notion that South Africans must simply reconcile themselves to societal structures inherited from colonial and apartheid experiences. At the same time, respondents felt that social solidarity and

sacrifice will become more central to developing and entrenching specifically South African values.

As far as the state and politics is concerned, state capacity was highlighted as a key concern, though there was speculation that, with improvement in skills from greater access to tertiary education, and possibly from more rigorous selection and training for public service, we could see a steady improvement in South Africa's bureaucracy.

Corruption was deliberately separated from consideration of crime because of the former thriving in the context of poor governance, diverting scarce resources into the pockets of a few.

These variables – 25 in all – were then distilled into three Key Driving Forces: Societal Inequality, Resistance, Resentment and Reconciliation, (RRR) and Institutional and Leadership Capacity.

Scenarios are not meant to be visions or predictions of the future. Rather the key conversations *Indlulamithi* hopes to encourage, if any of these three scenarios comes to the fore, are around the questions: do we have the right policies and strategies to quickly adapt and move away from the undesirable elements of a given scenario and, at the same time, can

we move skillfully to take advantage of and encourage the positive elements of any of the scenarios?

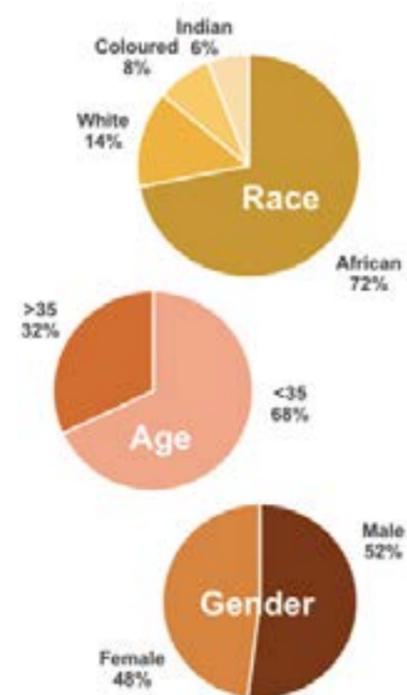
# INDLULAMITHI SOUTH AFRICA SCENARIOS 2030

## THREE SCENARIOS FOR SOUTH AFRICA

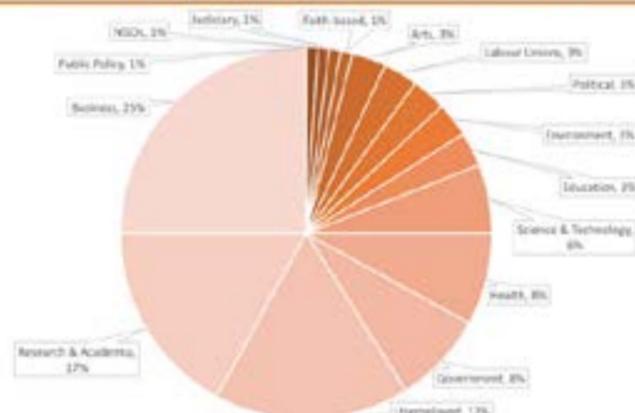
What would a socially cohesive South Africa look like? And to what degree is this attainable by 2030?

Social cohesion refers to the levels of integration and inclusion in communities and in society at large. Often it reflects various measures of participation or non-involvement in social organisations or institutions. It is shaped by disparities in income and wealth, as well as by levels of interpersonal and intergroup trust. Crime rates and frequencies of violence, as well as overall wellbeing and the general health of populations are often mirrored in measures of social cohesion. This is frequently encapsulated in expressions of common values and manifested in senses of nationhood and of shared ethics and ideals.

The methodology for *Indlulamithi* 2030 South Africa Scenarios draws on a combination of original and secondary research and a widespread range of expert insight. In-depth, qualitative research was conducted that included a combination of ethnographic research of face-to-face interviews, focus groups and the development of an online platform. Interview questions were also intentionally emotive to allow for creative responses, which encouraged open and reflective discussion. With a total of 150 core participants, the research aimed for diversity in race, gender, age and sector.



A diverse pool of ~ 150 participants identified = 60 interviewed, 20 Harambee Youth & 70 Online Platform...



This primary data was complemented by reviews of existing research, the commissioning of research papers, as well as regular briefings and workshops through which the researchers sought to validate the findings.

Interviews ranged from 30 minutes to 2.5 hours and were transcribed and thematically analysed by the MISTRA research team.

### 1. 60 in-depth interviews with sectoral leaders

Interviewers asked participants to reflect on what they perceived as the key threats to social cohesion between now and 2030 by discussing the following:

- If you were to look at social cohesion in South Africa in the long term, what are the 3 key issues you would be worried about? (Participants were allowed to identify more than 3 issues).
- For you, what are the issues or key elements of social cohesion in South Africa going forward, and how might these develop in a positive direction? Describe how these positive developments might play out and combine.
- Exploring your same selection of three or more elements of social cohesion, consider more negative outcomes for each as we move through the 2020s to 2030. Describe this more negative future in your own words.
- What steps do you think South Africa has to take to move towards the more positive future and avoid the more negative future?
- Why has South Africa not taken these steps before? What do you believe are the resource, cultural or societal blockages to progress in any of these areas?
- What are the features of post 1994 South Africa that have worked successfully and which must be retained into the future? What must we build on?
- When thinking about social cohesion in 2030, what factors do you consider as certain to influence the trajectory of our nation, and which factors do you believe are most uncertain?
- Imagine that you are in 2030. You look back at the journey South Africa has undertaken thus far. What slogan, headline or picture would best describe that journey?

### 2. Focus groups with job-seeking youth

Recognising that the sectoral leaders we had interviewed had skewed our sample towards an older demographic, we worked with *Harambee* (<http://harambee.co.za/>) to conduct research with youth focus groups. All of these young people were job-seekers, including many hailing from rural provinces. Many of the focus group participants were women. Focus group discussions were modelled on our interview questions, but also included more creative exercises in which young people 'argued for' and visually depicted their version of the future.

### 3. Online platform with a further 70 youth

In collaboration with AudienceNet, the research team hosted an online platform, convening youth from across the country in an online conversation about the future of social cohesion. The online community was live between 14 November – 4 December 2017, with each week of the 3 weeks concentrating on a different activity:

- Week 1: Introduction and Social Cohesion
- Week 2: Future National Scenarios
- Week 3: Debate

The first week's objectives for the online community were to get to know participants and to better understand how they feel about the current situation in South Africa, by asking the



Taken from Indlulamithi/AudienceNet report

questions, ‘What does the term social cohesion mean to you?’ and ‘What do you think countries need in order to achieve social cohesion?’

Week 2 followed up with asking participants to complete two scenario-based activities. The first was to depict a negative future where South Africa is less cohesive, followed by a positive future where a more socially cohesive South Africa was imagined. In week 3, participants reflected on the activities of the previous weeks and wrote out a speech outlining their vision for a socially cohesive South Africa in 2030. Some posted images online to illustrate their points.

#### 4. Research conference

Having gathered a significant amount of primary data, the team organised the data into emerging themes. It became clear that there were some questions arising from the research that required additional research or expert opinion. Research papers were commissioned and a research conference convened with academics and practitioners from a diverse array of fields. Some of these topics included interrogating the notion of intergenerational woundedness, the future impacts of climate change, the nature of human

trafficking in South Africa, mother-tongue education, and gender-based violence. Findings from reports from organisations working in related fields, including the Mandela Initiative, the Institute for Security Studies and the Vumelana Land Scenarios, were also incorporated into the *Indlulamithi* research process.

#### 5. Distilling the variables

For the purposes of the *Indlulamithi* South Africa 2030 Scenarios exercise, variables refer to a set of hypotheses, or intuitions, about the way certain phenomena might unfold in the near future. These ‘hunches’ are informed by research, but are by no means predictions of the future. The data, expert opinion, and insights from the research papers were distilled into 25 key variables. These constitute the ‘DNA’ of the three scenarios.

#### 6. Ranking

Having formulated our variables, the team asked participants to rank the variables in terms of their certainty and their impact. The most uncertain, most impactful variables were then synthesised into Key Driving Forces (KDFs). These KDFs serve as the scaffolding for the scenario storylines.



By 2030, the population of Cape Town could exceed five million

# VARIABLES

The research process generated 25 variables that participants believe will most shape South Africa's future over the next decade. These are:

1. We will struggle to absorb low-skilled labour in the industrial sector but will see improved absorption in high-skilled and service sectors.
2. Despite improved labour protection, factors such as job losses, wage decreases, automation and casualisation will deepen the insecurity of workers.
3. Continuing high rates of youth unemployment.
4. The South African middle class will continue to be a small and volatile group.
5. Overall inequality will remain high.
6. Non-communicable chronic illnesses will become South Africa's leading cause of death, compounding the HIV/AIDS and TB burdens.
7. South Africa will remain a high emitter of CO<sup>2</sup> and effects of climate change will not be adequately addressed, further widening inequality.
8. Land reform will be negotiated through elite competition.
9. Urbanisation will accelerate alongside rural poverty.
10. Current social welfare regimes will continue to marginally alleviate poverty.
11. We will see steady improvement in early childhood development.
12. We will see continued success in access to education, while concerns over quality and equity persist.
13. Increased funding for (and access to) tertiary education will see greater youth absorption into the economy.
14. Civil society will continue to hold the State accountable.
15. The number of single parents and female-headed households will increase.
16. While the overall crime rate will stabilise, particular crimes will escalate, with women, children and the poor remaining disproportionately targeted.
17. South Africans will wrestle over the Constitution.
18. Without meaningful reconciliation, we will see intensified resentment and resistance.
19. Investigative journalists will continue to hold the state to account.
20. State capacity will remain weak but it will be more inhibiting of corruption.
21. Political leadership will be expressed through increased coalitions and a rising youth voice.
22. We will see an increased commitment to long-term thinking in policymaking.
23. Regional trade and investment will continue to improve, with regional immigration as a major area of contestation.
24. Social solidarity and sacrifice, albeit contested, become more central South African values.
25. South Africans will, on balance, benefit from southern African growth and BRICS membership.

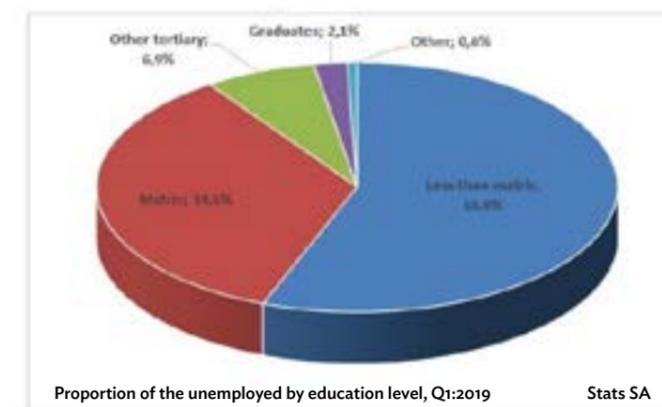
## 1. South Africa will struggle to absorb low-skilled labour in the industrial sector but may see greater absorption in high-skilled and service sectors

In early 2018, as these scenarios were being developed, 16.2 million South Africans of working age (15 to 65) had jobs. But 6.1 million South Africans could not find work. Unemployment on the 'narrow definition' stood at 27.5% with the rate of unemployment increasing every year since 2008. These trends continued into 2019. The generational impact of apartheid education – designed for servitude and deliberately providing only limiting knowledge and skills – continues to reverberate in South Africa's employment statistics, even in 2019. About 20% of South Africans aged between 35 and 64 cannot read and write, and just 30.7% of all South Africans over the age of 25 have completed high school. While more than 90% of younger South Africans are literate, school-leavers often don't have the mathematical skills to enter the higher-skilled service sector positions that are on offer in the economy.

The two main industries that once absorbed high numbers of low-skilled labour are now in steep decline: from its peak of 760,000 jobs in the late 1980s,

the total number of jobs in mining now stands at 460,000. Although some mining sectors have added tens of thousands of jobs since 1994 – particularly the Platinum Group Metals and coal mining sectors – gold mining employment has declined from 360,000 workers at the dawn of democracy to just 100,000 gold mining jobs now.

Agricultural employment is also down



from its early 1990s levels, although some areas such as marketing, gardening and game farming have shown solid employment growth, fishing and ocean-related jobs are in steady decline.

South Africa's economy is, of course, characterised by multiple and deep path dependencies and high levels of concentration of ownership. The Competition Commission has reported that in a large number of key markets, a single firm can have a market share in excess of 45%, which, coupled with significant barriers to entry, stalls in-

novation and job creation. And we are creating less diverse products – 60% of our merchandise exports are now from resource-based industries (CCRED 2018).

Substantial research suggests that the growth of smaller businesses in South Africa could create both skilled and unskilled employment at scale. Currently, small businesses are only generating

about 30% of South African jobs, well below global averages for job creation by small companies. How can South Africa better encourage and support start-ups and small businesses that employ 5 to 15 people?

## 2. Despite improved labour protection, job losses, wage decreases, automation and casualisation will deepen the insecurity of workers

About six million South Africans are currently looking for work unsuccessfully each month. About another 2.8 million want to work, but have stopped seeking work on a regular monthly basis, often because of high transport and other costs. Unemployment has become deeply entrenched and systemic. According to Stats SA almost 40% of unemployed South Africans had never had a job before. For this younger unemployed cohort, those aged

between 15 and 34, more than 60% had never worked in any job before.

With the highest youth unemployment levels in the world, and despite multiple government employment-boosting plans over the past 25 years, the economy has effectively created no new jobs in the past three years, sending South Africa's unemployment levels to their highest levels since the early 2000s.

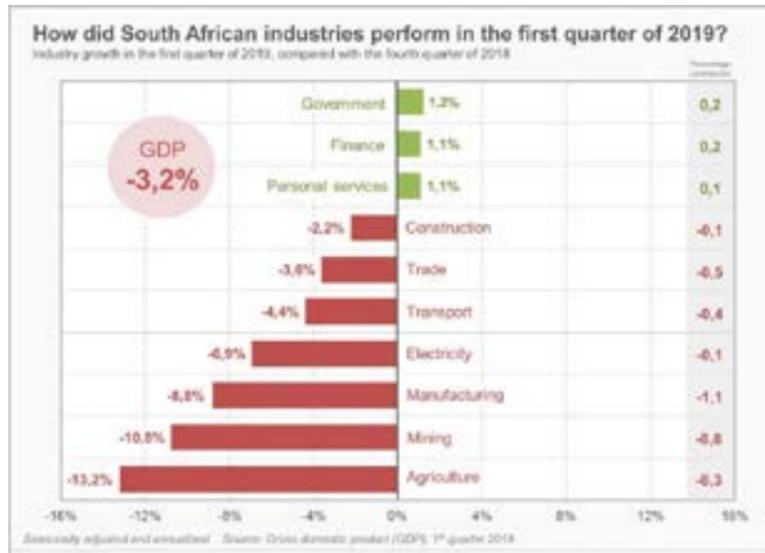
Many blame post-1994 labour laws that make it difficult for employees to remove unproductive workers and, critics say, facilitates protracted strikes that deter investment. But equally persuasive voices suggest that there is nothing particularly onerous about South African labour law compared to global standards, and that job creation is being stymied by other factors, such as the complex 'red tape' involved in starting and running a business, as well as South Africa's poor schooling system and the poor health of many. An unfavourable investment climate has also seen about a trillion rands being held by corporate South Africa and not made available for investment.

Others argue that only large-scale structural changes to the economy will create jobs in the numbers needed, calling for the nationalisation of mines, banks and large-scale agriculture.

Many who *do* have jobs are very poorly paid, and prone to abrupt lay-offs during economic downturns. The roll-out of the national minimum wage (NMW) - set at R3 500 per month or R20 per hour - is a policy response that tries to enhance the liveability of wages

in sectors like security and domestic work. While these changes aim to improve job security and income levels, even at this low level of R20 per hour, some sectors might see employment numbers decline, at least in the short term. As unionisation in the private sectors declines sharply (from 36% in 1997 to just 16% in 2019), public sector unionisation has surged to nearly 70% of government workers.

These unionisation trends are creating better wages and greater protection for the public sector workforce but a likely increase in precarious types of employment in the private sector. The informal sector is also likely to grow



substantially, as formal employment continues to stagnate.

### 3. Continuing high rates of unemployment among youth will render a large portion of the population highly vulnerable

As of the second quarter of 2018, when the *Indlulamithi* Scenarios were created, South Africa's youth unemployment rate was 38.8%, compared to 17.9% adults overall. By early 2019, the youth unemployment rate had increased to 39.6%, meaning that 4 out of 10 young South Africans cannot find work.

And this include so-called discouraged work seekers.

These 40% of young people neither employed nor in education or training often remain unemployed for very long periods of time, with new jobs increasingly going to those with a good tertiary qualification.

In 2019, almost 40% of jobs advertised in South Africa require a degree or diploma equivalent and this 'entry level' is rising annually.

Despite multiple training programmes, and a lot of initiatives to support youth-run business such as Fit for

Life, Fit for Work, the Harambee Youth Employment Accelerator, and the NYDA which works with young people to get them into employment and improve their skills, less than 30% manage to find work or start their own business after such training interventions.

Only the Employment Tax Incentive (ETI)

scheme has shown some ability to impact on youth unemployment at scale, but its implementation has been fiercely opposed by organised labour, which feared employers replacing seasoned workers with subsidised youth. The scheme's first phase still requires careful assessment.

This profound lack of employment and opportunities to earn legitimate income translates into high rates of youth anomie, including alcoholism and drug abuse, involvement with crime, sexual violence, and high rates of new STIs including AIDS. As many analysts and

the National Development Plan are at pains to point out, the unmet expectations and generational resentments of this young 'precariat' drives high levels of social unrest and populist movements. Many young people in South Africa (and across Africa) find themselves in a period of 'waithood', unable to take up adult roles due to protracted periods of exclusion, dependence and vulnerability. As the NDP diagnostic report made clear in 2011, youth unemployment is South Africa's most dangerous 'ticking timebomb'. How might this ongoing human tragedy - of South Africa having the highest rate of youth unemployment in the world - be best diffused?

### 4. The South African middle-class will be a growing, but nevertheless small and volatile, group

While the middle class in South Africa has grown in size since 1994, it remains small and insecure compared to comparator countries and to global averages. Only about 30% of South Africans self-describe themselves as middle class. Other measures, such as banking-based estimates of South Africans with a net worth of over R100,000, also suggest a middle class of about 30% of the population.

Increased access to credit, together with greater availability of private and low-fee education for their children,

and the partial success and expansion of the 'second wave' of implementation of Broad Based Black Economic Empowerment (BBBEE), has seen the black middle class grow and solidify.

But many of those in the middle class are deeply in debt, have little access to inherited wealth, and are not well insured or are confident, regular savers. With more than 60% of SA's popula-



Time Magazine 13 May 2019

tion living in poverty and high rates of unemployment, the black middle class has to support many more dependents than most people do in other countries. Many would be unable to maintain their middle class status if they lost their job, even if just temporarily.

Among black South Africans, the more 'vulnerable' section of the middle class is a larger group than the more 'stable' portion. Indeed, some estimate the stable section of the middle class might make up less than 15% of the South Af-

rican population, including more than 90% of the white and Indian South Africans.

Congregating in increasingly non-racial 'gated communities' in large cities, South Africa's middle class, whatever its size, is forging an identity somewhat isolated from the realities faced by the vast majority of South Africans.

### 5. Overall inequality will remain entrenched, driven by inequality in assets and access

When, in May 2019, Time featured South Africa on its cover with the headline 'The world's most unequal country', and a striking aerial photo showing the contrast in conditions and density between Primrose and Makause in Johannesburg, it again brought to the world's (and South Africa's) attention is the fact that our Gini coefficient continues to worsen. About 10% of the South African population, based on current research, owns about 90% of the country's productive assets, and the official Gini coefficient, a key measure of income inequality, stands at 0.63.

With 64% of the African population of South Africa still living in poverty, and only 6% of Indian South Africans and 1% of white South Africa defined as being in these same poverty bands, it is clear that income inequality is deeply racialised and deeply entrenched in South Africa. Poverty is strongly intergenerational and upward mobility is limited. Children of parents in the poorest quintiles are 95% more likely to remain in poverty and 60% of South African children were living below the upper-bound poverty line in 2018. These children not only experience poor health, inadequate nutrition and poor services, they also do not have access to the economic, cultural and

social capital that might improve their education and employment prospects. Indeed, inequality sets in at a very young age.

Inequality might be the largest spur to a lack of social cohesion and fuels social and political unrest. Higher income countries attempt to tackle inequality, as South Africa has tried, through various forms of social grants or through subsidised or free housing, cheaper or free education. Progressive taxation, inheritance taxes, high minimum wages

## 6. Non-communicable diseases will become South Africa's leading cause of death, compounding the HIV/AIDS and TB burden

Many South Africans are yet to benefit fully from the progressive healthcare policies introduced in 1994 partly because of sub-standard healthcare and uneven access to services, as well as factors outside of the healthcare sector such as poverty, and poor-quality education. When South Africa became a democracy in 1994, HIV and AIDS

including cardiovascular disease and some cancers. As critically, there has been a surge in the incidence and prevalence of diabetes.

Five million South Africans have 'pre-diabetes' in 2019 - indicative of higher than normal blood sugar - and about 6% of the population have been diagnosed with diabetes. This growing group - now 3.5 million strong - require substantial medical resources, including a daily treatment regime and medication, regular monitoring and a lot of support and education.

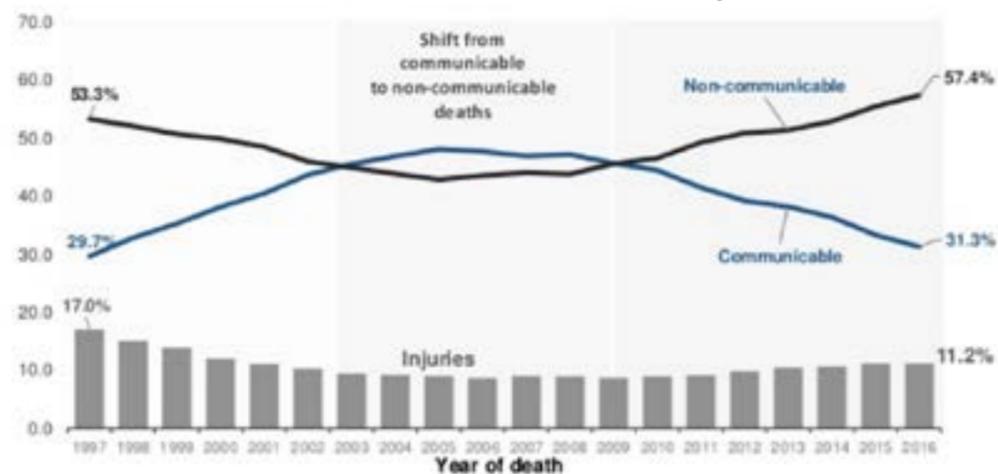
Diabetes is now the second most common cause of death in South Africa.

The burden on the health care system is substantial and growing. Because of poor symptom awareness, and slow development of the disease, more than a third of those diagnosed with diabetes already have complications requiring rapid medical intervention when they are diagnosed.

South Africa's health system is wilting in the face of these epidemics of both communicable and non-communicable diseases, and despite shifts of funds to more preventative Community Health Worker programmes, South Africa's health system is still mostly curative and secondary, rather than preventative and primary.

Achieving the 90/90/90 goals, i.e. getting 90% of people living with HIV to know their status, to get 90% of all those with HIV onto antiretroviral therapy then to get 90% of those on antiretroviral therapy to be virally suppressed and have no measurable HIV in their bloodstream, is proving elusive

### Deaths: Communicable, Non-communicable and injuries, 1997-2016



and the social mobility opportunities of better early childhood programmes do not offer as much promise in South Africa because of high levels of unemployment, a comparatively small tax base and a currently stalled economy.

For many analysts, South Africa will remain the global leader in terms of income inequality unless the education system, which prevents upward mobility by denying the poor access to higher skilled, and better paid, jobs, is thoroughly overhauled and reformed

affected about 1% of the population. By 2010, almost 20% of adult South Africans were HIV positive, a rate that has remained high despite the rolling out of the world's largest anti-retroviral programme. New testing and treatment regimes have stabilised HIV infection prevalence and reduced incidence substantially.

However, on average, South Africans' waistlines have increased substantially. One third of South Africans are now overweight or obese, and the proportion of children who are obese is rising sharply in urban areas. This has dramatically increased incidence of serious illnesses that are connected to and correlated with excess weight,

in South Africa. Treatment adherence rates for HIV and diabetes need to be increased substantially, which will require the training and hiring of many more health care workers, education and outreach.

Mental health also forms part of the burden of NCDs and South Africa has very high rates of depression, anxiety and substance abuse and addiction. NCD patients are more likely to die if they suffer from mental illness, and babies born to a depressed mother are more likely to suffer developmental problems.

## 7. South Africa will remain one of the highest global emitters of carbon dioxide per capita and the effects of climate change will still not be addressed adequately, further widening the inequality gap.

South Africa's average carbon emissions are currently at 8.9 tons per capita, which is among the highest per capita emissions in the developing world. The global average is 4.9 tons per capita per annum. In 2014, coal made up 70% of South Africa's primary energy consumption, well above the global average of 30%, partly because about a third of South Africa's liquid fuel is produced from coal by companies such as SASOL.

Climate change is already impacting South Africa. It is estimated that, by 2030, South Africa's water demand will exceed supply by 17%. South Africa is a water scarce country, and climate change is expected to worsen the country's water shortage. South Africa's average annual rainfall is almost half the global average and almost 40% of



South Africa's average carbon emissions are currently at 8.9 tons per capita, which is among the highest per capita emissions in the developing world

fresh water is lost through decaying water infrastructure and inefficient and leaking pipe systems, particular in smaller municipalities.

Sustained climate change will result in the western parts of the country getting drier and the eastern parts wetter, with predicted increased incidences of tropical disease. 2016 was the hottest year on record globally, with a record 43°C measured in Pretoria. Food security and the lack of potable water affects the poor more than the middle classes. And it is likely that climate change will also result in 'climate refugees' from other African countries seeking safety in South Africa. We may see conflicts over natural resources escalate because of the decreasing resources and increasing demand.

Indeed Africa has relatively low adaptation and coping capacity to climate change and extreme weather effects, and is arguably more vulnerable to impacts of climate change than any other region.

## 8. Land reform will be negotiated through elite competition between traditional leaders, commercial farmers & the state, with little participation or gains for those whose land rights are most insecure.

Only about 10% of land has been transferred to black owners since 1994, as programmes of restitution, redistribution and policies to improve security and fairness of tenure have floundered, due to lack of funds and high levels of corruption and incompetence.

Many argue that security of tenure has been the most neglected area. Parliament's 2017 High Level Panel Report on the Assessment of Legislation and the Acceleration of Fundamental Change Report, as well as a growing body of work by academic activists, suggests that in many parts of the country, the rural poor continue to be ruled as subjects, as opposed to being treated as citizens.

The Zulu monarchy's attacks on the High-level Panel Report, which

included a recommendation that the Ingonyama Trust be dissolved, is a sign that we will see increased conflict between traditional leaders and government as struggles around land reform rage on.

Positive developments include the Gauteng provincial

government's plan to rapidly redistribute unused small pieces of land that are currently owned by the state to people who can afford to build their homes on them. However, support for restitution and resettlement is likely to remain inadequate. A case in point is Alexandra township, where the families of the old property owners have still not received their title deeds from the post-1994 apartheid government expropriation without compensation. This and the ongoing land grabs are signs that we will see increased local-level community action and conflict over land.

It is not yet clear that the recent parliamentary decision to review the constitutional clause on expropriation without compensation will amount to any significant shifts. Some experts suggest that the need to pay compensation has not been a major barrier to land reform. Rather corruption by officials, collusion by elites, a lack of political will, and poor post-settlement support are all considered to have been the major obstacles.

Recent commitments to expropriation without compensation have come with the caveat that food security and economic productivity will need to be protected.



South Africa's most significant long-term environmental challenge may not be water scarcity, but failing sewerage and water treatment plants

commuting distances in the world. And people living in the poorest households are also more likely to live far away from centres of economic activity, and carry the greatest burden of transport costs. As the rate of urbanisation has outpaced the rate of development of new housing, overcrowding in urban areas is

increasing.

Meanwhile, rural areas (and particularly the former homelands) have far higher levels of deprivation than anywhere else and continue to be the poorest places in South Africa.

Regional inequality is likely to become more entrenched, with stark inequalities between urban and rural areas. Nevertheless, many South Africans will continue to be characterised by 'double-rootedness', with households stretching between urban and rural areas and regular travel between them. Urban spatial inequality is likely to remain stark as infrastructure and transport struggle to keep pace, while economic activity is likely to remain as concentrated and as urban as it is in 2019.

#### 10. The current social welfare regime will continue to alleviate extreme poverty

More than 17 million people benefit from social grants, the vast majority of whom are children. These grants – including so-called non-contributory social assistance cash grants such as old-age pensions, disability grants, child support and foster care grants, and care dependency and war veterans grants have contributed to substantially alle-

The key focus of the land question is likely to remain on rural land, neglecting the rural-urban network and prospects for urban land reform, where well-situated state-owned land could be better earmarked for redistribution.

#### 9. Urbanisation will accelerate, alongside suburban dispersal and the entrenchment of rural poverty.

An estimated 64% of South Africans now live in cities, with rates of urbanisation set to increase faster and further. Despite multiple challenges, many people who move to urban areas are able to generate a better income than they could in the rural areas. For example, twice as many people in rural areas report having run out of money to buy food at least once a month, compared to those in cities.

Rural South Africans are also nearly twice as likely to require and receive social grants. And about half of the workforce in the metros have completed secondary school, compared to roughly one-fifth in rural areas. Tertiary skills are scarce outside the cities. To be confined to marginal spaces has a profound effect on one's life outcomes. South Africans face the longest

viating poverty. As individuals receiving grants increased from only 13% of the population in the early 2000s, to more than 30% of the population by 2017, the number of households experiencing hunger decreased from 24.2% in 2002 to 10.4% in 2017. This is a solid indicator that these cash transfers are having a positive impact.

By early 2019, at least 43% of households in South Africa received at least one social grant. However, there is still a great need, and

social grants have not kept up with inflation. A shift toward a more substantial welfare system in the country is unlikely for the foreseeable future due to the prioritisation of reducing the current national deficit and the introduction and roll-out of free higher education. Social grants may become increasingly unaffordable if economic growth remains slow and the number of grant beneficiaries continues to rise. While the social grants system has had a positive impact on poverty alleviation, the wellbeing of children and on women's empowerment, it has not reduced levels of inequality significantly.

The country's social grants system has also been plagued by mismanagement and incompetence as the South African Social Security Agency (SASSA) became embroiled in various dubious schemes. This had stabilised by 2019, with a new minister in charge and with the South Africa Post office providing a cheaper and more reliable distribution system.

#### 11. South Africa will see steady improvement in early childhood development outcomes, with positive implications for early learning and intergenerational poverty.



Partly due to poor infrastructure, in the poorest 80% of schools, only 1% of learners in grade 8 will go on to pass matric and obtain a C symbol or higher (60%) for mathematics and science

Those pupils in Grade R in 2019 will be completing their matric in 2030 if all goes well for them. Since 2000, South Africa has seen a considerable improvement in access to early childhood development (ECD). Grade R, a national system of provision for children aged five to six years, has now been fully implemented.

Various qualifications and career paths now exist to improve the quality of teaching and also establish career paths for ECD teachers.

One of the major challenges to successful ECD interventions is getting consistent collaboration between state departments. While health interventions for ECD are implemented by the state, other programmes rely on NGO support. The ECD NGO sector is overstretched, under-resourced and fragmented.

The National Integrated Early Childhood Development (NIECD) Policy

was approved by Cabinet in 2015 and seeks to introduce, before 2030, a package of birth registration, free basic healthcare and nutrition for pregnant women, infants and young children and various preventive and curative mater-

nal, infant and child nutrition services. Increasingly, free food is provided in some form at public schools and community-based facilities.

Improved nutrition for young children is essential for their immediate wellbeing, but also for its impact on a child's long-term

physical and mental development, which in turn influence

performance at school and labour market productivity as adults. Investing in ECD has been proven to be one of the most effective means of alleviating poverty in the long term as the first 1000 days of a child's life determine much of a child's future development pathways

#### 12. There will be continued success in access to basic education but concerns over quality and equity will persist.

South Africa inherited a deeply unequal and divided education system in 1994, but efforts to improve educational quality and reduce educational inequality has proved elusive. Most children now do get to attend primary school, as enrolment approaches 100%, but quality of education for most black children remains inadequate.

In many poorer and mostly black communities, schools are still substandard. Poor communities also cannot support

their schools and school governing bodies to the same extent as wealthier communities.

While South Africa's great success – getting almost 100% of children into formal primary schooling at the appropriate age, and keeping primary school drop-out rates low – less than half of any given Grade 1 cohort goes on to pass matric and complete schooling successfully.

In the poorest 80% of schools, only 1% of learners in Grade 8 will go on to pass matric and obtain a C symbol or higher (60%) for mathematics and science. As good maths and science marks are prerequisites for most degree programmes at university, poor pupils, mostly black, are disadvantaged.

The role of teacher unions requires considerable attention, as the Volmink Report of 2016

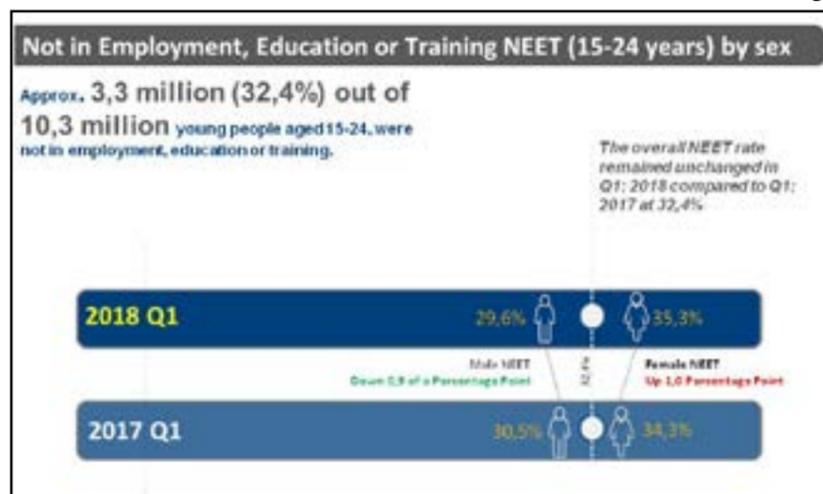
found widespread corruption and abuse – including widespread schemes of teachers paying union officials for job placements. The report provides extensive evidence that teacher unions have ‘captured’ education departments in some provinces, which adversely affects teacher quality and impedes efficient school governance.

An emerging key issue is that mother-tongue education in the early grades has been shown to significantly improve school outcomes. Current policy proposals recommend that the first three grades are taught in the learners' mother tongue across South Africa, with school governing bodies

(SGBs) deciding on when to transition to English.

The use of mother-tongue teaching is inhibited by a lack of resources, poor support from curriculum developers, poor teacher support and inadequate training. Shifting of resources to the first three to six years of schooling could greatly improve high school outcomes, and even university through-put rates.

### 13. Increased access to tertiary education will result, over time, in greater youth absorption into the skills-biased economy.



Almost one million students are now enrolled in South Africa's universities with approximately a further 800,000 studying in vocationally oriented TVET colleges. At universities, nearly 60% of all students are women, and about 70% are black South Africans.

Universities in particular are ‘full’ as only 26% of students are currently able to complete their bachelor degrees in the requisite times, and many have to add an extra year or two to the time needed to complete their degrees.

More than 200,000 students graduated from all universities in South Africa in 2018, up from about 160,000 grad-

uates a year in early 2010. But TVET and private college graduations – at around 150,000 students per year – are not keeping pace with the needs of the South African economy. Students prefer trying to get into universities (despite high failure rates and high non-complete rates) as TVET colleges have a poor reputation in some areas.

In response to the Fees Must Fall protests, government announced in December 2017 new policies to subsidise free higher education for poor and working-class students. Students studying at TVET colleges started to receive fully subsidised free education and training in 2018, while students at university, who come from households with combined incomes of less than R350 000 per annum are now funded for the entire formal costs of a first degree.

The *Indlulamithi* youth focus groups highlighted many issues with the struggling TVET sector, including the struggle of many TVET graduates

to find jobs with the qualifications obtained. It is possible that if the policy on free education for poor students is not successful, protests may reignite.

Five South African universities are included in all the various rankings of the world's top 500 rankings, including the University of the Witwatersrand, the University of Cape Town, Stellenbosch University, the University of Johannesburg and the University of KwaZulu-Natal.

### 14. Civil society will continue to hold the state accountable and provide essential services.

Civil society is a contested concept: it includes various forms of social involvement, such as serving on School Governing Bodies, or attending Community Police Forums. There are 54,000 NGOs registered in South Africa and, as such, they form a large part of civil society. Other contributors include trade unions, political parties and religious organisations.

These organisations collectively have helped hold the state accountable since 1994 and particularly in the 2010s as ‘state capture’ of many government institutions and State Owned Enterprises (SOEs) provoked a mass mobilisation of civil society, which, within courageous journalism, helped change government in South Africa after President Zuma resigned in February 2018.

Government has an ambivalent relationship with many NGOs, even those that help with critical service delivery. Because NGOs are ‘mediating’ institutions – helping people deal with government, in terms of claiming their rights and understanding their responsibilities – this can cause friction with government, especially when many NGOs also get some of their funding from the state.

The importance of NGOs and the role they play in development is often underestimated in South Africa. In rural areas in particular, NGOs play a critical role in partnering with government to deliver services. Many NGOs work tirelessly to promote democracy and



Government has an ambivalent relationship with many NGOs, even those that help with critical service delivery. This leads to many protests

good governance, or the prevention of gender-based violence.

Faith-based organisations are also very influential in South Africa, and are playing an important role in promoting social cohesion and collective ethics. However, a relatively new trend, which has seen the commercialisation of religion, and the rise of so-called ‘charismatic churches’, may contribute to instability, especially under conditions of worsening poverty and inequality.

NGOs are an expression of the values and serve real needs of people in society. Public policy in South Africa should recognise, respect and, where possible, empower these institutions better in future.

### 15. Female-headed households will become more entrenched, while household size decreases.

Only 34.5% of households in South Africa are composed of a mother, father and children. Many families are headed by grandparents, as a generation of South Africans have experienced

high mortality rates due to HIV and AIDS-related deaths.

The second most common household formation in the country is that of the female-headed household (36.7%), run by single mothers. The HSRC estimates that 60% of children in South Africa thus live without their fathers. These female-headed homes are significantly more likely to be impacted by poverty.

Child-headed households are the most vulnerable family composition and are most prevalent in Kwazulu-Natal, Limpopo and the Eastern Cape. The legalisation of same-sex marriage in 2006 has seen rising numbers of same-sex households in South Africa (from 80 registered civil marriages in 2007 to 1158 registered in 2015).

While the number of households headed by fathers is low at 0.3%, there has been a marginal increase in father-headed households, some with the support of their extended families. Many *Indlulamithi* participants highlighted the family as a starting point for

building social cohesion. Family values influence individual behaviour, and impact on how people interact and behave in the community and in society.

But the Medical Research Council estimates that 1 in 5 women in South Africa has experienced violence at the hands of a partner. To add to this, the Children's Institute reported that up to 34% of South Africa's children were victims of physical or sexual abuse before the age of 18. Funding for organisations that support victims of domestic violence is on the decline and the rate of prosecution of offenders is low and falling.

With high numbers of female-headed households, high unemployment and declining marriage rates, men are less likely to be linked to families in the future. What might the implications of this social disconnectedness be?

### 16. While overall crime will stabilise, particular crimes will escalate, with women, children and the poor remaining key targets.

After falling for a decade, crime rates, particularly for some types of 'contact crimes' like murder, started to increase from around 2013. Murder is regarded by criminologists as the most reported and accurately captured of all crimes, and for South Africa in 2017/2018, the alarming news was that more than 20,000 murders took place over a 12-month period, equating to 57 per day. Sexual violence, especially reported rapes, increased to more than 40,000 per year in 2017/18 or more than 110 per day.

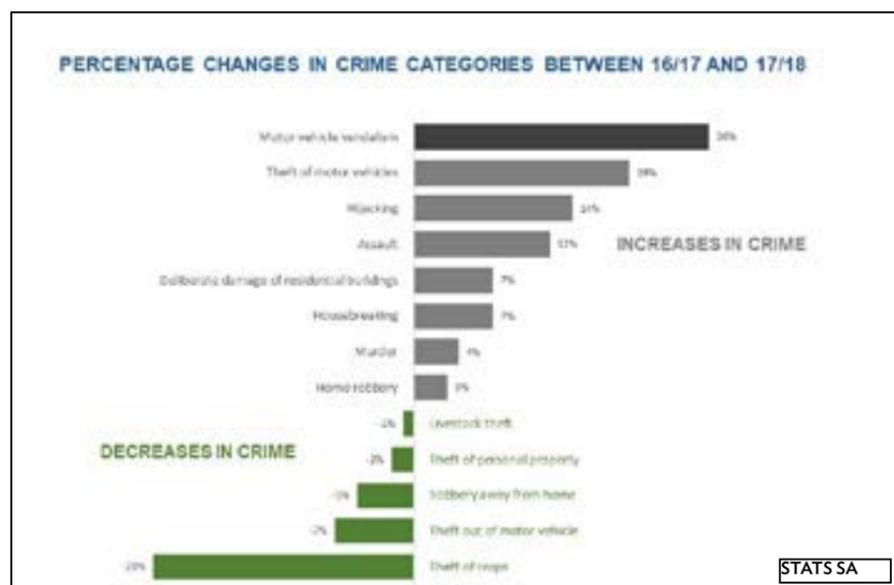
But overall, the total number of crimes recorded has come down steeply from 2010, with around 2 million crimes – of all kinds – recorded in the last measured in 2017/18.

Given that the global average murder rate is less than 5 per 100,000 per year, South Africa's murder rate of 37.5 per 100,000 people per year is at seven times the global average. South Africa regularly ranks in the top 10 of all countries for 'intentional homicide', on lists that includes countries at war. Some areas of South Africa far exceed the annual 'intentional homicide rate' even of countries at war: the worst death rate in the world in 2017 was in Syria, with over 200 deaths per 100,000 people per year, but Philippi East in Cape Town had a murder rate of or about 320 per 100,000! Even Madeira in the

ence, especially that reported in South Africa, ranks poorly in terms of intimate partner violence and femicide, i.e. the murder of women because of their gender in South Africa is five times the global average.

New police and prosecutorial leadership, a stronger and better resourced NPA, and better crime intelligence structures appear to be stabilising crime rates, but at the current very high levels.

Much more needs to be done. Crime deters investment and it also prevents



Eastern Cape managed to see more people murdered than Syria's average, with a murder rate of 214 per 100,000 per year. Pietermaritzburg's central city police station recorded 177 deaths per 100,000 people per year in 2016/17. Income inequality, deep legacies and wounds of apartheid, and the reality of the more than 60% of black South Africans living in poverty, has made South Africa one of the most stressed and dangerous countries to live in, in the world. Women and children suffer in particular: South Africa has high levels of violence at schools and in communities directed at children. Sexual vio-

lence, especially that reported in South Africa, ranks poorly in terms of intimate partner violence and femicide, i.e. the murder of women because of their gender in South Africa is five times the global average. New police and prosecutorial leadership, a stronger and better resourced NPA, and better crime intelligence structures appear to be stabilising crime rates, but at the current very high levels. Much more needs to be done. Crime deters investment and it also prevents

township economies from taking off, as cash businesses in poor areas are frequent targets of crime. Crimes against business are currently the fastest growing types of crime, including cash-in-transit heists and robberies at businesses. Cybercrime and fraud are also trending sharply upwards in South Africa and will require special attention and new dedicated units to curb their further expansion.

instead of interacting with others in public spaces. This makes achieving social cohesion more challenging.

### 17. South Africans will wrestle over the Constitution, putting national identity in flux.

The Constitution is still regarded as one of greatest successes of the democratic transition. In addition to framing national identity and values, many believe the Constitution had an indirect effect on the country's ability to avoid civil war and maintain a semblance of social stability. Some *Indlulamithi* participants believed that social cohesion should be built around the aspirations, ethics and values enshrined in the Constitution. Others, however, identified growing debate around the Constitution and its effects.

Critics of the Constitution have raised concerns about its failure to enable the transformation of socio-economic conditions for those previously disadvantaged by the apartheid regime. Some regard the Constitution as a 'compromised settlement' designed to entrench white privilege, protecting, as the Constitution does, the property ownership regime then in place, in the 1990s. With the land debate ongoing in 2018, it is unknown whether changes to Section 25 of the Constitution, following the passing of a motion on land expropriation without expropriation in Parliament will be implemented, or whether the land reform policy implementation will happen within the existing Constitutional framework.

But key constitutional challenges over the past two decades have resulted in a significant number of gains for those at the margins of society. Rights to housing, safe abortions, anti-retroviral treatments, same sex marriage, freedom of the media and freedom of expression, the abolition of the death penalty, the rights of migrants, and communities' ability to influence the awarding of mining rights are among the many significant legal achievements that have advanced human rights and dignity in South Africa.



The ANC struggles to retain credibility with the electorate

The courts have also played an important role in enforcing socio-economic reforms and in checking state capture, criminality and looting of government resources. The Constitution and the judiciary remain among the most respected of all South African institutions.

### 18. Successes and failures of reconciliation will be determined by our attitudes towards history, race and social cohesion.

Only 56.1% of South Africans agree that South Africa has made progress in reconciliation since the end of apartheid, according to the 2017 edition of the South African Reconciliation Barometer Survey report, prepared by the Institute for Justice and Reconciliation. The report goes to show, from

large scale and carefully calibrated surveys, that "fewer than half of South Africans report that their friends and family have experienced reconciliation after the end of apartheid". Almost two thirds of South Africans believe that "reconciliation is impossible for as long as people who were disadvantaged under apartheid remain poor".

Many *Indlulamithi* participants have argued that South Africa remains a wounded society, in which commitment to reconciliation is superficial.

This woundedness has implications for relationships between generations, the nature of identity politics, perceptions of justice and our ability to plan for the future.

A large number of respondents believed that the government has not done enough to address the challenge of trauma as faced

by them. Many South Africans believe the Truth and Reconciliation Commission (TRC) also did not do enough to address the collective trauma of colonialism and apartheid.

From many young people, key matters of redress have not been spoken about for fear of upsetting the transition. There are, they say, too many 'silent non-agreements' that fuel ongoing fear and mistrust between races, classes, genders and generations in South Africa. Some *Indlulamithi* participants attribute deepening racial resentments and emerging racial populisms to our inability to confront the legacies of the past.

**19. Investigative journalists will continue to hold the state to account. Meanwhile access to information will improve, alongside concerns of a post-truth era.**

A key role of the South African news media post-1994 has been that of a guardian of democratic norms, i.e. a ‘watchdog’ role. In the past decade in particular, the news media has made a major contribution to exposing corruption and ‘state capture’ and has been able to hold at least some of those in power accountable to the public.

But South Africa’s news media has seen its business models disrupted by the increasing popularity of digital media. As South Africa has crossed the 50% level, in terms of portion of the population regularly online, and as more than

half of South African adults now have ‘smartphones’ (as of 2018), newspaper circulations and revenues have continued to fall.

The SABC, a major target of those in the Zuma/Gupta nexus of power, has also seen revenues fall sharply in recent years. The SABC is technically bankrupt, and requires billions of Rands in state guarantees, to upgrade its increasingly derelict equipment and buildings.

While more South Africans can access the internet (despite high prices for data and connectivity), free radio remains by far the most popular way to stay informed and the get the news in

South Africa. The Broadcast Research Council of South Africa (BRC) estimates that South Africa has 38 million radio listeners and around 29million tune in every day. No other medium comes close! Many South Africans listen to the radio more than three hours a day.

But millions of South Africans have joined social media networks and increasingly use platforms such as



While more South Africans can access the internet (despite high prices for data and connectivity), free radio remains by far the most popular way to stay informed and the get the news in South Africa

WhatsApp, Facebook and Twitter as their preferred first choices for entertainment and especially for breaking news. These channels provide South Africans with direct access to news and, with the sustained popularity of talk radio, this has allowed many more people to participate in the public discourse.

But concerns about the vibrancy of the public sphere and the spread of fake news and the ‘weaponisation’ of social media against those who investigate or call out corruption, has become acute. As South Africans have found out, the Gupta and Zuma families’ now-defunct media empire also extracted hundreds of millions of rands from SOEs, government departments and even from

the largest media company in South Africa, Naspers, via their subsidiary MultiChoice.

Fortunately, with the closure of Gupta/Zuma families’ media empire (and the flight of the Zuma/Gupta brothers out of South Africa in 2017), South Africa’s news media now finds the playing fields more level, in terms of access to government media marketing budgets and access to government communicators.

To avoid South Africa succumbing to a ‘post-truth era’, the declining diversity and density of South African news media requires strong intervention from the public and the government.

The Media Development and Diversity Agency (MDDA) is dysfunctional and has been mired in maladministration

and corruption. Hundreds of struggling community radio stations and newspaper could be helped to survive if the MDDA was properly run and given a more substantial budget and more funds to disperse to regional and local media in particular.

The SABC now has more freedom from political interference than has been the case since the 1990s, but it needs large infusions of capital and more consistent political support. Further waves of retrenchments in both the public broadcaster and in private news media are unfortunately more likely than not. South African citizens have to stand up and demand the right to know, and the right to be informed (and entertained and educated), so that the SABC, with

its multiple TV and radio channels, can survive and flourish.

**20. State capacity will remain weak, there will be more decisive action taken to improve the performance of State Owned Enterprises and reduce the corruption of the state.**

A number of global and World Bank studies show that South Africa’s state capacity –the state’s ability to deliver services and implement policies and programmes –is worsening because of systemic corruption, lack of accountability and poor skills. State capacity is shaped by several factors, including educated, skilled, experienced, committed public service, who are steeped in the ethos of public service employees, who work in a transparent and accountable political system in which public representatives lead by example.

In the 2010s, what some analysts described as a ‘shadow state’ – a parasitic network that purloined state resources and extracted billions of Rands – started taking root in South Africa. This resulted in the erosion of state capacity and the decline in public trust in the state and in some of its key institutions. More so, the loss of public confidence in the South African Revenue Service (SARS) reduced tax compliance and saw tax revenues fall precipitously. Financial institutions and local and international investors also became increasingly reluctant to invest in the country.

SOEs are also a particular cause for concern with dozens of reports over



For many young people, the promises of 1994 have not been fully realised and youth unemployment is the highest of any country in the world

the years outlining the gross mismanagement and corruption at a number of SOEs. Frustration has been expressed at the repeated government bailouts granted to the South African Airways (SAA), with sentiments expressed that such ‘rescue’ missions do not encourage accountability, but can rather worsen mismanagement.

Successfully reversing the erosion of state capacity will require greater levels of accountability, more transparency, greater respect for rule of law and a much more professional civil service. A concerted, sustained, multi-level effort to fight corruption and prosecute offenders at any level of government is also urgently needed.

**21. Leadership will be expressed through increased coalitions, a rising youth voice and a ‘noisy democracy’.**

Out of 55 million South Africans, 20 million are young people between the ages of 15 and 34 – more than a third of the population. South Africa’s median age is 27!

For many young people, the promises of 1994 have not been fully realised and youth unemployment is the highest of any country in the world. Youth voices are rising, on campuses, in schools and at the ballot box, partly in response to the lack of employment opportunities, and partly because of other pressing issues, such as persistently high crime rates and poor education. The ‘capture’ by corrupt forces and the decline of the ANC Youth League over the past decade has also seen many young people gravitate to other political formations or, more ominously, withdraw from formal politics and participation in elections. The 2019 elections saw the lowest youth participation rate ever in the democratic era.

The local government elections in 2016 saw the ANC lose voter share and face what appeared to be voter ‘boycotts’: in four of the eight large urban metros, The ANC lost control of the councils it had once led. However, neither of the two major opposition parties – the Democratic Alliance (DA) and the Economic Freedom Fighters (EFF) – got enough votes to gain outright

control of any Metro. This has led to hung councils and fractious coalitions in these four metros and in many other areas elsewhere in the country. In the 2019 general election for the first time, the ANC received less than 60 percent of the vote. The EFF garnered just over 10% of the vote, becoming the official opposition in three provinces.

The DA lost half a million voters, and, all in all, 13 parties are now represented in South Africa's 6th parliament.

The ANC's 57.5% share of the votes translates into just a shade over 10 million votes. Losing just a further 2,500,000 votes by 2024 will see the ANC vote share decline to below 50% – and possibly lead to a hung parliament. Only 17,436,144 South Africans voted in 2019 (out of 26,727,921 registered voters). Further disappointment in the ANC and more voter 'stay-aways', and strong performances by the EFF and DA and some smaller parties over the next five years, could shake up South African parliamentary politics in ways never seen before. Democracy is about to get even noisier!

## 22. There will be more long-term thinking in policymaking.

*Indlulamithi* participants expressed a great deal of concern about what they perceived as the lack of long-term, strategic thinking in South African policy-making. Many also complain

that policies are not implemented for long enough to accurately assess their performance, as seen in the adoption



After the 2019 elections, there is a new commitment to long-term planning and the implementation of the National Development Plan

of various vastly different development strategies in a relatively short time period. In 1994 the Reconstruction and Development Programme (RDP) was introduced to address the inequities caused by the apartheid system and, it was the focus of government's economic policy, placing emphasis on both economic growth and social development for previously disadvantaged groups.

But by 1996 the Growth, Employment and Redistribution (GEAR) strategy was introduced in response to external pressure, rand instability, and concerns over commitment to sound macro-economic policies. And then, in 2005, the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) was introduced to implement the ANC's 2004 election pledges. AsgiSA adopted a more developmental approach while acknowledging the globalised context South Africa operates in. This approach accepted that fiscal stability had to precede economic growth and the view that the state

would have to take a stronger leadership in delivery.

The National Development Plan, launched in 2011, still provides a comprehensive blueprint for long-term planning in South Africa. Many lament the 'nine lost years' of the Zuma era, where corruption and maladministration distracted key leaders and structures from implementing government plans, and wasted an estimated R100 billion

rand, and possibly more if local level corruption in dysfunctional municipalities is added. This was combined with high opportunity costs as South Africa, for the second time in a decade, missed a major global commodities boom.

But the new 2019 administration appears committed to long-term planning and the revitalisation and implementation of the National Development Plan, better inter-departmental coordination, and a stronger, more coherent economic cluster.

## 23. Regional trade and investment will continue to improve, with regional immigration as a major site for change and contest.

Following the end of apartheid, South Africa has rapidly expanded economically across the continent, becoming a significant foreign investor in Africa. But much of this expansion has been driven by private corporations rather than spurred by coherent government policy. South African companies took

advantage of their 'natural' competitive advantage in terms of size and positioning, as well as the global drive for economic liberalisation and deregulation.

Partly because of this, South Africa's role on the continent has been controversial as it attempts to balance its relative economic strength and pursuit of its interests against its leadership aspirations supported by international expectations of its leadership in Africa. The persistent trade imbalance between South Africa and the rest of the SADC region presents a significant political and socio-economic challenge.

Rejuvenating South Africa's economy through the promotion of regional integration and cross-border trade and investment has been at the core of South Africa's external trade policy. Successful trade can contribute to global economic growth which in turn can translate to poverty alleviation and improvement of quality of life and facilitate the spread of technology and ideas.

Integrating Regional Economic Communities (RECs) in Africa presents a substantial challenge given that many economies are very small and poor, resulting in relatively small regional markets, seen in the uneven industrialisation in the SADC region. Furthermore, although SADC member countries generally have relatively sound institutions, efficient markets, and well-developed markets, health

and education indicators are concerning, and levels of technological capability are generally low. The most significant challenges include inefficient government bureaucracy, inadequately educated workforce, poor infrastructure, and lack of access to finance.

domestic priorities mean that it often lacks sufficient resources to fully extend itself to ensure its influence and authority across the region.

## 24. Social solidarity, and sacrifice, will become more central to South African values.

Many participants in the *Indlulamithi* research process noted that South Africa is a very diverse society which has, over time, seen many instances of ethnic nationalism and particularism, which were in part exacerbated by the apartheid government.

Participants worried that deepening inequality, unemployment and poverty might deepen racial tension, and perhaps inflame gender-based violence. Some spoke of 'pockets of populism'. A value-based re-imagining of South Africa, many suggested, might be one way of attempting to restrain these forces.

Other *Indlulamithi* participants believed South African society is increasingly characterised by rampant self-interest: a culture of 'each person for themselves'. This is not only a threat to social cohesion in the long term, but in a society with such high levels of poverty, inequality and unemployment, the notion that we can all 'make it on our own' is unrealistic. There is a need for a greater sense of social solidarity.

Twenty-five years into South Africa's democracy, the call for 'social cohesion' remains a prominent feature of political



The Economist 27 April 2019

Trade is also likely to be affected by the considerable generational shift in leadership that might result in a lack of clear direction as the continent makes the transition from the previous generation of leaders, many of whom were involved in anti-colonial struggles, to a newer generation of leaders who may not necessarily share the same ideologies. Newer issues, such as climate change are also likely to be a major driver of regional trade and migration.

Although South Africa is rightly considered a regional leader, the country's

policy and public discourse. But it has not gone uncontested: some critics interpret the call for ‘cohesion’ as an undemocratic call for ‘unity’, in which citizens hold uniform opinions in the name of patriotism. Others express concern about the superficiality of ‘social cohesion’ – imagining a country in which everyone ‘gets along’, but on highly unequal terms.

These criticisms, in and of themselves, shore up what might be most useful about ‘social cohesion’ – and that is its ability to stir up both the most disquieting, and the most hopeful, aspects of this new democracy.

President Cyril Ramaphosa, in his inaugural speech in 2018, made reference to a Hugh Masekela song entitled ‘Thuma Mina’ which loosely translates into ‘Send Me’. The song embodies the tenets of what a unified nation might look like, where everyone living in South Africa not only works more closely together, but also stands up and accepts responsibility for changing particular elements of our society for the better.

### 25. South Africans will benefit from Southern African growth and BRICS membership, although the future of BRICS will be uncertain.

Globalisation has impacted in equal measure on governments, citizens and civil society. Economic imperatives have been the stimulus for regional blocks and continental bodies of government to flex their collective economic muscle. People-to-people contacts have also taken a more positive turn, with has helped the fight against cross-border crime.

At the same time, there has been a rise in the number of ideologically driven anti-globalisation movements that are opposed to what they perceive to be an encroachment on national sovereignty and the undermining of cultural and economic independence. This is seen most vividly in the Brexit debates and in the debates around greater integration of European countries.

Anti-globalisation sentiment has also been driven by economic imperatives on a micro-social level, as seen with issues such as migration. As the phenomenon of Al Qaeda, ISIS, Boko Haram and Al-Shabaab, among others demonstrate, the spectre of terrorism is growing internationally.

If the South African state does not ensure economic growth and political stability it will, in time, weaken, exposing it to both internal and external threats. With weak governance systems, including crime prevention and law enforcement apparatus, the country’s sovereignty may be compromised both at the political and social levels.

# KEY DRIVING FORCES

Those variables identified as both the most uncertain but also the most impactful were synthesised into three Key Driving Forces (KDFs). These are conceptual areas most likely to shape social cohesion in South Africa going forward. These KDFs serve as the scaffolding for the scenario storylines.

By mobilising ‘social cohesion’ as a question (even a provocation), the project unearthed a powerful picture of the contemporary South African psyche: one in which mistrust and alienation are endemic. For the more than 150 participants we spoke to, any route to a vibrant economy and stable democracy would demand that we address these social questions: questions of inclusion, justice, participation, and trust, which should ground any meaningful definition of ‘social cohesion’.

Drawing from the combined body of research, we worked collaboratively with *Indlulamithi* participants to derive three Key Driving Forces (KDFs), which are the most likely shapers of the future of social cohesion. These KDFs offer something of a diagnosis of the country’s key social challenges, while also guiding us on priorities for intervention.

## KDF 1 Social Inequality

*Indlulamithi* participants spoke with great depth and complexity about the nature of inequality in South Africa,

which they described as having both material and immaterial facets. South Africans experience stark inequalities in income, access and assets: the distributions of each are heavily informed by race, gender, generation and spatial location. While rooted in a long history of colonialism and apartheid, these inequalities are also propelled by more contemporary forces, including climate change and new technologies, which are rendering certain jobs redundant.

This inequality sets in early. Poor early childhood development is a key determinant of intergenerational poverty. 27% of children in South Africa are stunted, due to inadequate early childhood nutrition. This has implications for physical and cognitive development.

Intergenerational poverty perpetuates long-term structural inequality: if parents are among the poorest quintiles, their children have a 90% chance of being stuck in poverty. Sixty percent of children in South Africa live in households below the upper-bound poverty line.

As a ‘Key Driver’, ‘Social Inequality’ is intended to capture these complex entanglements of social, historical and economic injustice. Below are the major considerations raised by participants:

The top 10% of income earners received 60–65% of total income in South Africa. 10% of South Africans hold 90–95% of the wealth: the biggest long-term driver of inequality. Precisely because of this lack of assets (such as land, property and inheritance), the position of the South African middle class is deeply volatile.

**Racial inequality** remains stark with white South Africans experiencing better quality of life on all major indices.<sup>1</sup> Meanwhile, intra-race inequality is also increasing.

**Women** are more likely to be poor than men, and also most affected in times of crisis such as climate change, emerging epidemics and by violent crime. In 2015, one in five South African women experienced intimate partner violence.<sup>2</sup> Reported rape averages at

<sup>1</sup> Institute for Race Relations (2017) Quality of Life Index.

<sup>2</sup> South African Demographic and Health Survey 2016

109 per day,<sup>3</sup> with a conviction rate as low as 8.4% in 2012.<sup>4</sup> Like women, LGBTQI+ communities are more likely to be vulnerable and marginalised.

According to Stats SA, **41% of households are currently female-headed.** This number is steadily increasing. Women's disproportionate access to social welfare, their participation in self-help groups, as well as their increased access to the labour market has contributed to increasingly feminised residential spaces – particularly where children are present. Marriage has also been on a continuous decline, with growing numbers of young women co-habiting and bearing children outside of marriage. Startlingly-high, and rising, rates of unemployment have meant that many men do not find community through work. This is particularly true of young men. Being a household 'head', or even being able to afford bride wealth, have become more and more difficult. There are important questions to be asked about the social alienation of working-age men, who are increasingly disconnected from homes and workplaces.

Spatial inequality informs access to jobs, public space, public services and social networks. As the country becomes increasingly urbanised,

inequality is further entrenched: people live far from economic centres with high transport costs. Inequality between rural and urban, as well as between different provinces is deepening. Large portions of the country's rural and urban dwellers have insecure tenure and volatile land rights, while land and property ownership remains vastly unequal. Meanwhile, the wealthier are increasingly likely to privatise their lives, seeking private health, education, energy supply, security, transport and entertainment; and renewing passports and licences online. The aspiration is to opt out of

public institutions, where queues are long and services unreliable, leaving little room for public participation or communion.

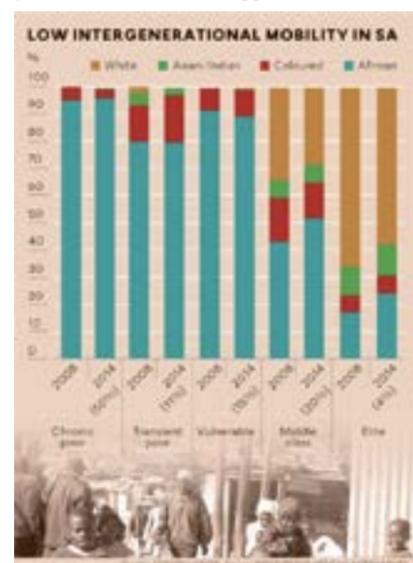
**Economic growth strategies will need to be transformative, addressing the root causes of inequality**

While access to basic education is now almost 100%, inequalities in the quality of education provided are stark, determined by income, spatial geography and race. Only around half of those who start Grade 1 finish matric.

More than half of young people are unemployed and having a matric does not radically alter their chances of accessing work. If a matric certificate is leveraged towards a tertiary qualification, we see a marked difference in the likelihood of

employment. University graduates are most likely to find jobs, but rates of unemployment are rising among this category too. *Indlulamithi* participants know that inequality will be greatly affected by the future of work, education and the labour market. Whichever economic growth path SA finds itself in over the next twelve years, the stubborn persistence of inequality will need to be taken into account. Economic growth strategies will need to be transformative, addressing the root causes of inequality and inclusive so that more and more South Africans can benefit from such growth.

Finally, social (dis)connectedness was acknowledged as a significant site of inequality in South Africa. Job-seeking youth felt that their biggest barrier to



entry was not knowing the right people. Being networked is essential for getting

a foot in the door – with a potential employer, landlord, investor, NGO-provider or public servant. Participants recognised both the injustice of patrimonial or nepotistic networks, and the value of social groupings like Stokvels, churches and so on.

## KDF 2 Resistance, Resentment and Reconciliation (RRR)

**Reconciliation, Resistance and Resentment (RRR)**, while underlying a number of phenomena, is to be seen as a driving force in itself, manifested in various dimensions such as identity, values and the public discourse. Rooted in struggles over the Constitution, gender relations, and attitudes to different races are increasingly playing out in elevated demonstrations of populism, violence and abuse. We see differences in the reading of history, not just between whites and blacks, but also in the ways in which the struggle against apartheid, the constitutional settlements and the TRC process is understood.

This KDF includes the mobilisation around a sense of woundedness and resentment, as well as around ethnicity and culture. It includes fraught struggles for recognition, whether from Afrikaans language activists, black lesbians, Khoisan communities or would-be secessionists, as well as



During 2017/2018, many people in Cape Town had to queue to get water from natural springs

contests over affirmative action and how 'transformation' is legislated. The key questions and concerns explored with participants include 'the effects of an anti-black, unjust world' that have been inherited in the new South African society.

This speaks about the progress of a reconciliatory journey in South Africa and how some young people are

to address the challenge of what they described as "intergenerational" trauma.

**We cannot agree on our past.** there was widespread feeling among our participants that South Africans do not have a shared understanding of our history, nor do they agree on who has (or has not) benefitted from the transition. Every race group appeared

### SILENT 'NON-AGREEMENTS'

As one participant put it, the country is replete with 'silent non-agreements': there are underlying conflicts we do not speak of, so as not to upset the transition. Indeed, as the compromise and fragility of the transition become more apparent, so too does the likelihood of its disruption.

beginning to question the journey from apartheid to a maturing democracy. Respondents' feelings of reconciliation were dependent on certain outcomes such as racial justice and genuine social and economic redress. A large number of respondents believed that the government had not done enough

to have a case to make about why post-democratic South Africa does not 'belong' to them, and the mechanisms of exclusion that make them feel unheard. This was often coupled with narratives of resentment against those who were perceived to have benefitted unfairly.

<sup>3</sup> SAPS Crime Stats 2016/2017

<sup>4</sup> Mercilene Machisa et al (2017). Rape Justice In South Africa: A Retrospective Study Of The Investigation, Prosecution And Adjudication Of Reported Rape Cases From 2012. Pretoria, South Africa. Gender and Health Research Unit, South African Medical Research Council.

As one participant put it, the country is replete with 'silent non-agreements': there are underlying conflicts we do not speak of, so as not to upset the transition. Indeed, as the compromise and fragility of the transition becomes more apparent, so too does the likelihood of its disruption. What would this disruption look like? Would it be good or bad?

There are already moments of rupture in which questions of resentment, resistance and recognition are taking centre stage: mobilisations around decoloniality, mother-tongue education, farm murders, land, institutional racism and so on. Even within these movements, there have been fissures on gender and generational lines. Meanwhile, we have begun to wrestle with our Constitution and its ability to deliver justice, with emerging flashpoints around land, traditional leadership, sexual orientation, sex work, language and access to information. Some might argue that these are the seeds of a more meaningful reconciliation, while others are less optimistic.

### KDF 3 Institutional and Leadership Capacity

In the wake of the moral, ethical and human resource capability erosion experienced in the recent past, Indlulamithi participants identified Institutional and Leadership Capacity



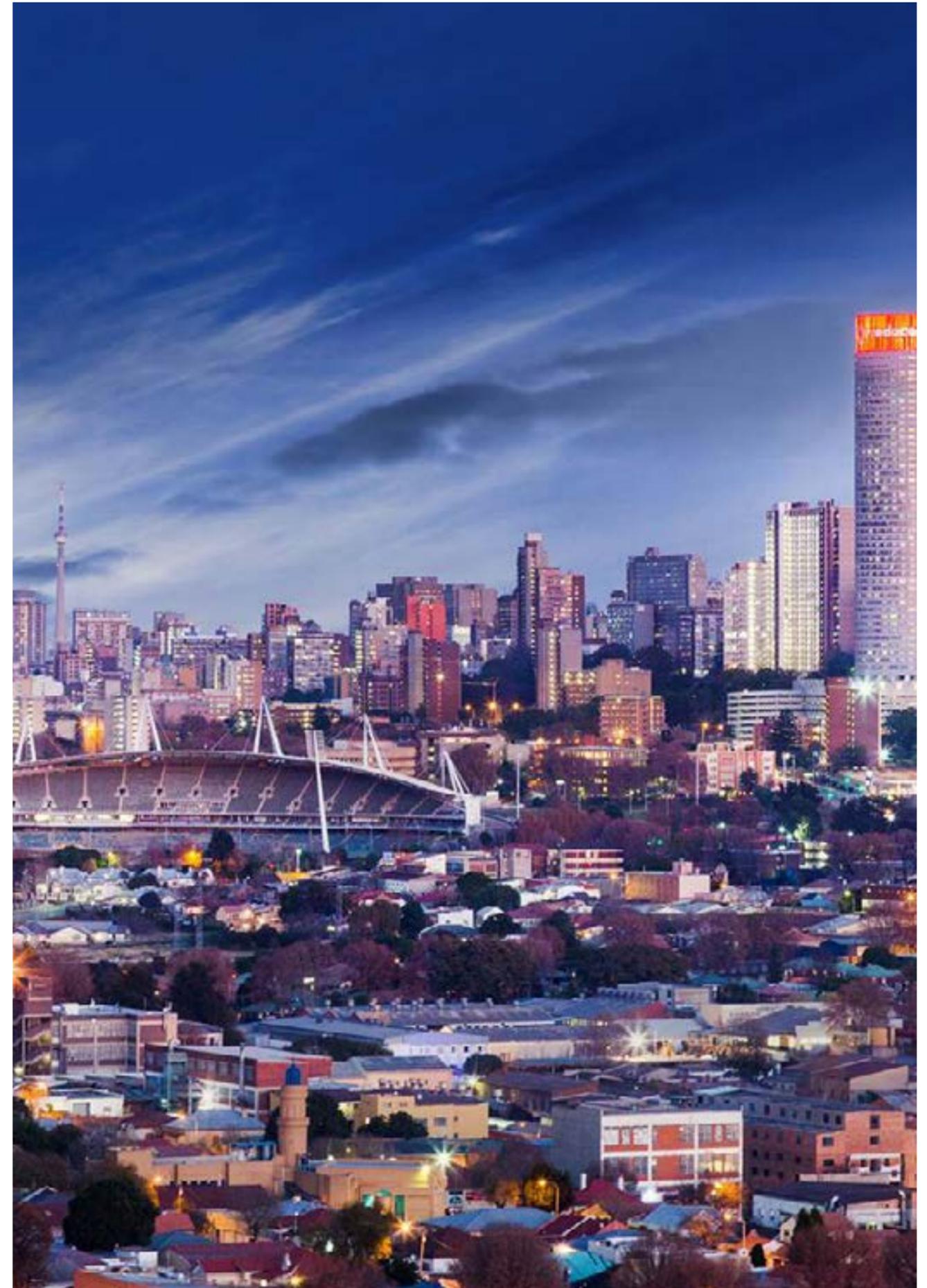
A jobless protestor holds a placard during a march in the Ramaphosa squatter settlement, east of Johannesburg

(state, private sector and civil society) as a key determinant for the future of social cohesion. Leadership as expressed in all spheres of South African society will shape the possibilities of social cohesion by 2030. This KDF manifests itself in the strategic capacity of South Africa's leadership to appreciate the collective interest and work to realise it, the ability to take a long-term view in decision-making, and the kind of ethics and values espoused and practised. In this context working towards a common vision, national unity and fostering a civic spirit in line with our Constitution will be key manifestations of this KDF.

State capacity has been systemically undermined by corruption and poor skills at critical levels. Many *Indlulamithi* participants worried about weaknesses in our public service. The looting of state-owned enterprises was also of particular concern. World

Bank Development Indicators in 2017 suggested that South Africa's state capacity was worsening. Meanwhile, the country has also been shaken by private sector theft and fraud.

It will be important for the media and civil society to improve its capacity to hold the state and private sector accountable as well as assist in the process of reconciliation. The state's capacity would make a critical contribution to social cohesion as manifested in the extent to which it is capable of providing economic direction, long-term planning and effective social delivery, expansion of the social security system, improvements to the education, health and criminal justice systems, and the future of governance in state institutions. State capacity's role in reconciliation and resentment will also be critical. Such capacity will also help South Africa in determining its position in the arena of global relations.



By 2030, greater Johannesburg will become South Africa's first 'megacity' with a population of over 10 million people

# THE WORLD IN 2030

South Africa's future will play out in global and continental contexts which will shape and colour, constrain or expand our local choices. Of particular importance will be:

- Increasing levels of **income and wealth inequality**, both between nations and within countries, including all the BRICS countries. Global inequality has been rising steadily up to now as a result of conscious political decision-making. A recent Oxfam report stated: "wealth is becoming more concentrated ... 26 people owned the same as the 3.8 billion who make up the poorest half of humanity, down from 43 people the year before." (Oxfam. 2019. Public Good or Private Wealth?)
- Contributing to inequality is the **decline of wages as a proportion of national income** and less generous social welfare systems in many countries. As trade unions have grown weaker across the world, and as governments have intervened in labour markets in favour of business, wages have risen far more slowly than levels of company profits. Progressive taxation regimes that redistribute some of the income of the highest earners to the most vulnerable have been scaled back in many countries post the 2008 financial crisis.
- Rising consumer debt levels** – and the possibility of severe economic 'shocks' such as another global stock market crash – might undercut the projections for steady global economic growth in the medium term.
- Geo-political shifts** to a more multipolar world as China's economy – and military prowess – continues to grow. China will surpass the USA as the world's biggest economy in late 2020s.
- Demographic growth** – and stability of democracies – across the African continent but particularly in South Africa's neighbouring countries, will impact on South Africa for many years to come. Africa's population is expected to approximately double from its 2015 levels by 2020. Just nine countries will contribute more than half of global population growth, with Nigeria, DRC, Ethiopia and Tanzania leading Africa's contribution to the 2030 projection. 1.7 billion of the world's population – or 20% – will be African in 2030. About 68 million of those, or 4% of the continental total, will be South African. And by 2030 one-third of all the children in the world will be African children. The median age in developed countries in 2018 is 40: in Africa, it is 19.7 years of age. Will our continent give these children the opportunities they deserve?
- But in most countries outside Africa, **population growth is falling** and in many OECD countries overall population sizes are falling too. By 2030, the rate of the world's population growth is expected to decelerate, when the global population is about 8.6 billion (up from 7.53 billion in 2019).
- Migration and urbanisation** and cross-country disparities in income and demographics are likely to substantially increase the pressure for migration between African countries, and between African countries and the rest of the world.
- Environmental changes**, including increasingly severe shifts in global climate patterns, long-term temperature increases and environmental degradation. Climate change impacts on Africa – mostly causing drier and hotter conditions – need to be monitored carefully. Many developing countries and most African countries will be hit hard by climate change, with most African countries particularly vulnerable given the extent of their reliance on the agricultural sector. Climate change means that Africa's urban development is likely to confront unprecedented biophysical risks, stricter environmental policies on trade and investment, and limited recourse to cheap fossil-based fuel that facilitated urbanisation in already developed countries. Climate change is already compromising food security and exacerbating the prevalence of disease across the African continent.
- The **shift away from fossil fuels and the 'carbon economy'** and growing pressure for all countries to conform to lower carbon emissions standards. By 2030, based on current trends, there will be about \$1.2 trillion invested globally in renewables each year, more than five times the investment into fossil fuels.
- The Fourth Industrial Revolution** is already well developed and characterised by a range of new technologies that are fusing the physical, digital and biological worlds, impacting on economies and industries, and even challenging ideas about what it means to be human. South Africa has only just reached the 'half way mark' in 2018 in terms of the proportion of the population that is online. Even as we move past this 50% connectivity milestone – which is mostly via mobile phone-enabled connectivity – most users cannot yet afford to be online regularly because of the high costs of data in South Africa and the lack of sufficient free or cheap wi-fi connectivity. How might we change this?
- And **on a continent which averages only 30% total online connectivity** (although more than 80% of Africa's population had cell phone access in 2018), how will we navigate the various opportunities that a digital, online world offers? How might we quickly increase the number of people online in a meaningful way?
- And assuming greater and cheaper access to online technology, **how might this change the way we form and maintain relationships, connect with others** – and find meaning in our lives?
- In terms of journalism and the public sphere, **how might digital online technology impact on the availability of news**, as printed newspapers become rarer and entire news eco-systems migrate online? How might the economics of media and the production of journalism change?
- 'routine task' jobs? Networked artificial intelligence (AI) will amplify human effectiveness: might smart systems in communities, in vehicles, in buildings and utilities, on farms and in business processes save time, money and lives and offer opportunities for individuals to enjoy a more 'customised' future?
- And how might we make, receive and react to the other components of the 4th industrial revolution? What will be the effects of rapid prototyping and 3D on-demand fabrication, rapid advances in nano- and biotechnology, personalised medicine, and the imminent automation of many

# THREE FUTURES FOR SOUTH AFRICA

Ultimately, there is only one future, once you look back at it. But looking forward, there are ranges of possibilities between sets of probabilities and unexpected shocks and surprises. These are three such sets of possibilities, three stories of how South Africa's future, as a cohesive and coherent nation, might unfold.

## iSbhujwa

### AN ENCLAVE BOURGEOIS NATION

Epitomising a loose-limbed, jumpy nation with a frenetic edge, iSbhujwa is a South Africa torn by deepening social divides, daily protests and cynical self-interest.

## Nayi le Walk

### A NATION IN STEP WITH ITSELF

In a precise sequence of steps, this scenario choreographs a vision of a South Africa where growing social cohesion, economic expansion, and a renewed spirit of constitutionalism get South Africa going.

## Gwara Gwara

### A FLOUNDERING FALSE DAWN

In a nation torn between immobility and restless energy, Gwara Gwara embodies a demoralised land of disorder and decay.



## iSbhujwa

### AN ENCLAVE BOURGEOIS NATION

Epitomising a loose-limbed, jumpy nation with a frenetic edge, iSbhujwa is a South Africa torn by deepening social divides, daily protests and cynical self-interest.

What happened, people wonder, to the egalitarian spirit of Ubuntu upon which we built our constitutional democracy in the early 1990s?

For many, a deep sense of historical injustice and resentment at their exclusion blows up into frequent public protests, which become even more of an everyday feature of South African life. In 2028 alone, South Africa experiences almost 3 000 serious protests. Initially peaceful strikes and ‘service delivery’ protests often become mini-uprisings: blockades of highways, barricading of streets, torching of trucks, firebombing of councillors’ homes and destruction of state property become routine in iSbhujwa South Africa.

For ordinary people, these seven or eight urban revolts per day are the most effective way of getting attention from the authorities, before the state and its security apparatus are called to focus their attention elsewhere. There is always a bigger fire, with more smoke. In 2022/3 and again in 2027/8, campuses are sites of fierce struggle, resulting in millions of rand worth of damage to property and disrupting academic cycles and many students’ exams.

Everywhere, citizens retreat into their own enclaves of privilege or poverty. For the wealthy elite, their islands of voluntary isolation offer luxury, comfort, and a high degree of autonomy. They have private schools, private security, private golf courses,

private health facilities (with their own private ambulances), private justice mechanisms and private borehole water. Many of the more upmarket homes operate ‘off the grid’, running solar-powered battery packs and water-from-air distilling machines.

The widespread protests are not always economic at root: for many there is anger about the ‘incomplete transition’, including the persistent power of white privilege and male dominance. This provokes increasingly intense and often bitter conflicts. But the wealthy grow cold-hearted in their isolation, immune to the pain of those unable to access the lifestyle of suburbia.

#### **Just after the weather, stay tuned for your daily protest report**

These protests are often completely ignored by better-off South Africans. Some in the middle class, feeling insecure and separated from both the really wealthy and those in the poorer classes that they have ‘left behind’, ignite protests of their own in the name of their narrow causes. There are regular ‘protest reports’ on radio stations after the news, weather and traffic reports. Some regard burgeoning protests as a positive affirmation of South Africa’s commitment to constitutionalism and freedom of association and speech.

The more cynical suggest that these demonstrations could be rebranded as tourist attractions – if only they could be more predictably scheduled. But at root, by 2030, all the divisions

witnessed in South Africa in 2018 have widened.

#### **Our way - or the privatised highway**

In the early 2020s after several high-profile corruption trials, and despite some spectacular corporate bankruptcies, the private sector decides to reposition itself as the moral guardian of society. Linking up with some less overtly political unions, charismatic church movements and supported by elements within the ‘mainstream’ media, these wealthier South Africans shore up support for a range of private sector-centred solutions to society’s key problems.

Already by 2022 these forces are able to pressure government to drop much of its plan to extend universal health care via the NHI and instead get agreement to create more public-private partnerships to run the larger clinics and hospitals. They convince government to allow more private universities. Most of these are immediately successful despite their high fees and zero-protest policy. This ‘market-led’ approach resonates with global investors – and often yields tangible results, at least for about 25% of the population.

The poor by contrast feel stuck in their poverty, stripped of hope and meaningful aspiration. Poverty and ill-health continue to exact a terrible toll on families. For various reasons, including the falling popularity of marriage, the number of single parent families increases. Many unemployed

men cannot make peace with their inability to provide materially for their children and absentee-father rates rise. The Free State's official rate of unemployment tops 40% in 2026, and for those in other poor areas, like the Northern Cape, more than a third of jobs seekers are unable to find a job – even once – throughout the 2020s. The numbers of social grants applied for and approved increase.

### Longing for land

Rural protests grow less patient with traditional and customary leadership that is often autocratic and demeaning. Feeling stuck at the back-end of every

but in truth, everyone increasingly has 'no words' to describe the situation.

### The poor maak 'n plan

And yet, even as anger and acrimony grow, another famous South African mark of resilience comes to the fore, slightly adapted: 'the poor maak'n plan'. Poorer South Africans become even more adept and adaptable as 'do-it-yourselfers', splicing electricity cables and looping power across long distances. Communal early childcare arrangements, such as street crèches, transform into informal schools. Inexpensive compared to private schools, and often staffed by ex-state

Self-sufficiency increases, firstly as a survival mechanism, and then as part of the impetus for small-scale entrepreneurship. People realise that despite political party promises, jobs are not coming, at least not for most of the long-term unemployed. Inspired by the entrepreneurial spirit of many African migrants in South Africa's towns and cities (even if the different communities still don't always get along), people create small businesses in their own areas.

queue and disregarded by urban elites, and often still facing daily racism, rural populations also rise up and cry out. Farms and crops are burned.

Even wealthy new black farmers, beneficiaries of the rapid allocation of 4 000 state-owned farms between 2019 and 2022, find themselves targeted by irate workers and landless peasants. When a famous Stellenbosch wine estate and 14 schools are reduced to ashes just before the 2029 election, global headlines scramble to describe 'a burning rainbow', or 'a nation in flames' and myriad other fire-drenched clichés,

school teachers, some of these schools begin to outperform government primary schools, especially in maths and science.

Self-sufficiency increases, firstly as a survival mechanism, and then as part of the impetus for small-scale entrepreneurship. People realise that despite political party promises, jobs are not coming, at least not for most of the long-term unemployed. Inspired by the entrepreneurial spirit of many African migrants in South Africa's towns and cities (even if the different communities still don't always get along), people

create small businesses in their own areas.

Savvy youngsters start to hustle more. Some provide for people's day-to-day health needs in innovative ways. High levels of social trauma, whether from the loss of a relative, witnessing violence or long legacies of apartheid violence, mean that many people struggle with anxiety and depression. This makes them more vulnerable to chronic illness. As families must manage many illnesses and many different medications, there is a market for the services of pop-up licensed 'all-in-a-cart' pharmacies and entrepreneurs arranging home delivery of prescription chronic medications. These help reduce queuing times at clinics.

The older unemployed provide repair services, and many unemployed people of all ages get some work in piecemeal cleaning and transport services, connected to customers by apps and instant messaging as the effect of the 4th industrial revolution widens. Collective savings via stokvels and women's clubs provide at least some people with access to capital.

There is a new 'can-do' spirit and even a precociousness that is unleashed, an awakening of national pride and a widespread shedding of any sense of inferiority or second-classness. Out of the schools and universities come more assertive generations avowing an African identity and embracing a pan-African solidarity. Although more of a

middle-class experience, it is embraced by younger and poorer South Africans in urban areas who find each other more and more on the sport fields, in city night clubs and in Uber ride-sharing schemes. The enclaves of wealth become more non-racial in perspective and disposition – even as their walls rise higher and their isolation from the impoverished majority increases.

### Revvig up start-ups

Overall, the large established businesses invest only as much as would allow them to make substantial profits in more monopolised sectors.

Government encourages smaller business through more targeted initiatives. Start-ups are supported by local development agencies and private sector incubators begin to function more effectively than in the 2010s. There is a focus on social innovation and many mentoring initiatives from the private sector start to pay off. This allows many smaller companies to create jobs on a larger scale. More of a start-up disposition takes root as the informal sector grows faster and connects better with the needs of the formal economy. This creates, over time, more than a million new jobs in the informal sector.

### Slow-growth - with or without charters

By comparison, the formal economy grows more slowly. Large-scale agriculture, after some expansion in 2019–2021, is beset with uncertainty about land. Smaller-scale farmers

make some progress with substantial government aid in high potential areas, but larger scale agribusiness does not expand much in the 2020s. (Other African countries by contrast see huge investments in their agricultural sector.)

Mining production continues its mild recovery from the historic lows of 2016. A measure of policy certainty from a hard-fought Mining Charter sees more local and international investment. Although mechanisation and modernisation extend the working lives of many mines, the number of direct jobs created by the mining industry decreases to 350 000 by the mid-2020s.

Manganese, iron and chromium continue to do well as Asian economies require more and more steel and, while gold mining output stabilises in the early 2020s, the nation gets a collective chill down its spine when the total number of gold mining jobs drops below 100 000 for the first time in 2022. This, as so many lament, is less than a quarter of those employed in gold mining when South Africa's democracy dawned in 1994.

### Let there be light manufacturing

Trying to boost other sectors, the government creates a range of incentives to encourage various kinds

of light manufacturing. Drawing on the savings made by bringing in a private sector partner for South African Airways (SAA) – and from other partial privatisations, provinces are encouraged to create manufacturing hubs and special export zones. These localised enterprise development areas provide better local linkages and clustering effects, but finding profitable niches proves difficult.

### Despair of the NINJAS

Business process outsourcing and international call-centre operations also grow significantly – until these jobs begin to be replaced in the mid-2020s by automated AI 'chat bots' that eliminate jobs that are made up of routine and repetitive tasks.

Ultimately though, it is only the services sector that creates much by way of new jobs. By 2030, South Africa has more security guards per capita than any other nation. And by 2030, while the unemployment rate (20% on the narrow definition) is lower than at the start of the decade, it is still far too high for any country that aspires to build social cohesion. Particularly one where the median age of the population is still well under 30 years.

Between the 2019 election and 2030, South Africa has averaged just 2.2% growth, barely keeping the economy in line with population growth. Many NINJAs – those with No Income, No

**Drawing on the savings made by bringing in a private sector partner for South African Airways (SAA), and from other partial privatisations, provinces are encouraged to create manufacturing hubs and special export zones**

Jobs and Assets – slip into deeper despair, as they see yet another generation unable to climb out of poverty.

Joined by a growing ‘middle class’ of various levels of financial security (including the so-called JAMS who are ‘Just About Managing’ and usually only a pay cheque or two away from poverty), these roughly six to eight million wealthier South Africans become increasingly non-racial in their worldviews. They are social media-savvy and uber-connected, becoming more ‘bourgeois’ in their sensibilities and staying in touch with global fashion, food and tech trends.

### No truth or reconciliation

Partly because of sluggish economic growth, and persistently high levels of inequality, South Africans find it hard to meet across the borders of culture and wealth. Younger generations confront unearned privilege more aggressively and there is some progress on reconfiguring gender roles and supporting families as core units of social cohesion. Levels of gender violence decline in some wealthier enclaves as active programmes seek to engage men to change as the global ‘me too’ movement impacts on South Africa’s multiple patriarchies, pushed by new women’s formations.

Government and many private projects seek to foster ‘reconciliation’, but this turns out to be mostly hot air. In the poorer areas, people just don’t see the

value of ‘encounters’ that churches, temples, mosques and shuls try to organise, despite government funding for processes designed to build a new spirit of reconciliation and redress. The cry is for jobs and resources, and a more level economic playing field.

There was never a ‘new TRC’, as some clamoured for. People did not seem to want to deal with too many new truths – or any truths at all.

But at least a spirit of constitutionality survives despite regular acts of

‘insurrectionary citizenship’ in the 2020s. It is not unusual for communities to barricade highways and stone police one day, and engage senior council and seek urgent interdicts in courts the next day. Courts remain independent and are often the first resort of those contesting power inside and outside political parties.

The SANDF and the police also remain firmly under civil control and direction, and the armed forces provide a measure of stability as governing coalitions come and go.

### Shifting sands

A divided union movement, unable to grow its numbers significantly in the face of new forms of casualisation and

the technology-based atomisation of work, tries to push back and create pressure for a more effective state rollout of resources and a better distribution of wealth. Having played an important role in curbing and exposing corporate excesses and corruption in the state in the 2010s, many in the union movement seek new ways to engage with more political struggles, stabilise institutions and grow their membership.

Despite this, COSATU finds its role diminished as a reconfigured tripartite alliance fails to repair a decade of damage. Unable to convince its restless membership, and with cadres not fully satisfied with occasional government positions offered by the ANC, the SACP experiments with ‘going it alone’ in the 2026 local government elections. To the surprise of many, it attains some 5% of the vote. Fractious debate ensues on how to approach the 2029 elections, especially in light of some violent incidents between ANC and SACP members in the 2026 local government elections.

Newer unions and federations battle to consolidate their impact and influence and work out the right balance between shop floor effectiveness and their ability to shape the political climate and influence policy choices on the health system and educational reforms. Much of what had been a constructive ‘pressure from the left’ increasingly has little effect as the growing ‘gig-

economy’, steep deindustrialisation and the widespread informalisation of work continue.

At the same time, a party formed in 2019 to campaign against corruption trials (but claiming to pursue radical economic transformation) makes little impact at national level, but does cut a few percentages from the ANC in KwaZulu-Natal. This party eventually allies with an IFP that has made small gains in the province.

Urban and rural divides deepen, as drought and a lack of support for rural development thrusts ever more people off the land. Traditional leaders in many provinces make a play for greater power and resources, aware of their ability to create large and more compliant ‘voter’ blocks than the urban areas.

### Conferences and compacts

After a few relatively stable years in the early 2020s, in the lead up to the 2022 ANC elective conference and the 2024 national elections, the ANC finds itself unable to overcome the disruptive dynamic of factionalism. The party splits along lines that reflect the polarisations of the NASREC conference of December 2017, but with more provincially based fault lines coming to the fore.

The ANC is not alone in its internal battles: all the major political parties split in the 2020s over issues of both style and substance. New political



The police and other representatives of the state are often on the frontlines of people’s anger at their meagre prospects

formations emerge and grab headlines, often to fade quickly or be absorbed by larger entities.

In this time of volatility, a resurgent alliance of opposition parties – more seasoned, better funded and more tech-savvy than the ruling party – forces the ANC into coalitions at both national and provincial levels in 2024.

### Women fight back

As political parties fragment, there is a rise of the politics of street and the emergence of both special interest and broader alliance movements focused on a wide variety of issues. Women, tired of the chauvinistic patriarchy that cuts across race and ethnicity,

and often better educated than their partners or ex-partners, fight back against the violence and doublespeak. The war against women must end, they insist, as they create and sometimes violently enforce ever-widening zones of safety for themselves and their children.

Safe houses and better support from social services also make a difference and start to lower South Africa’s rates of domestic and sexual violence. LGBTQI+ communities push back against hostile environments many must contend with, creating some safer spaces on university and TVET college campuses and some urban schools.

**Crime hub for the continent**

The influx of refugees, work-seekers and migrants from SADC countries and beyond puts a strain on social systems, particularly in Gauteng. Both schools and health facilities struggle to keep up with demand from internal relocation from other provinces and inward migration from the continent.

The criminal justice system battles with rising crime and the increased targeting of South Africa by global crime networks. South Africa is seen as a useful base by many criminals, due to ineffective policing and overwhelmed prosecuting authorities, and because it provides convenient access into Africa for drug, human trafficking and cybercrime syndicates.

**Megacities, mega-protests**

Underdevelopment of agriculture and a more generalised lack of investment and educational opportunities in rural provinces accelerate urbanisation and migration. By 2030, 70% are living in urban areas – and nearly one in every three South Africans is living in Gauteng, which along with Western Cape and KwaZulu-Natal strains to keep up with accelerating inward migration from the rest of South Africa and the rapid growth of migration from African countries.

Even though these urban areas provide almost all of South Africa's economic growth and jobs in the 2020s, poverty and inequality escalate, and they see

surges of social protest, sparked by their inability to provide necessary services for populations attracted by the promise of prosperity.

After rounds and rounds of fruitless conversations and summits, many take the view that social reform and the quest for greater levels of social cohesion and nation-building are tasks best left to others. The country has exhausted its citizens. Political party, trade union and church membership levels plummet. People just don't seem to want to be involved. "Send someone else" becomes the cynical refrain of the day.

# iSbhujwa

## AN ENCLAVE BOURGEOIS NATION

### Key features and synopsis

- **A rapid escalation of social protest**
- **Growing separation of poorer and mostly black South Africans, and a wealthier and increasingly cross-racial middle class**
- **Implementation of market-led interventions in education, health, services of state owned enterprises – with mixed results**
- **Faster land reform is implemented, but under-investment in agriculture causes longer-term declines in food production and food security**
- **Some improvements in schools and overall educational performance**
- **Further erosion of trust in key societal institutions, even as many improve their capacity and competence**
- **Moderate increase in foreign direct investment and higher levels of domestic capital formation**
- **Slow but relentless currency depreciation and increased sovereign debt risk**
- **Social grant recipients numbers increase substantially**
- **GDP growth averages 2.2% to 2030**
- **Unemployment reduced to around 22%**
- **South Africans feel less and less part of a single nation united by a common national vision**

# Economic Modelling of iSbhujwa

## Economic Policy Framework and Measures

Under the iSbhujwa scenario, the policy status quo is retained after the 2019 election. Consequently, the economic outlook for the future of South Africa basically resembles its recent performance. Micro-economic policy reforms are aimed at propelling the economy onto a significantly higher macroeconomic performance, namely a path of higher growth and higher employment. Therefore, policies that are adopted and implemented are essentially supply-side measures aimed at reforming institutions, the regulatory frameworks and agencies in order to improve efficiencies in market. This is expected to produce the growth necessary to yield high employment in South Africa.

Government fiscal and monetary policy continues to follow the current austerity approach to macroeconomic policy, composed of fiscal austerity, a flexible exchange rate and strict inflation targeting. The new Minister of Finance implements budget cuts aiming to decrease the deficit so that a business-friendly environment which attracts investment is created, thereby raising GDP and employment. Therefore, through the Medium-Term Strategic Framework (MTSF) and Medium-Term Expenditure Framework (MTEF), fiscal policy continues to prioritise lowering the debt-GDP ratio through expenditure measures. Furthermore, monetary authorities will continue setting the interest rate to enforce strict adherence to inflation targeting, with a 6% inflation rate ceiling. The Scenario Box on the next page provides a brief overview of key policy measures under the iSbhujwa scenario.

### Economic Performance Under the iSbhujwa Scenario

With the iSbhujwa scenario, the real size of the economy (in 2010 prices) is projected to grow by approximately 40%, from R3,144 billion in 2018 to R4,415 billion in 2030, which translates to a compound annual growth rate (CAGR) of 2.86% over the next 12 years (i.e. 2019–2030). The real per capita GDP is expected to increase from R55,600 in 2018 to reach R67,900 by 2030. Total employment in the economy will increase to 21.3 million by 2030, thus adding a little more than 5 million jobs to the economy over the projection period. By 2030, the unemployment rate is expected to decline from 27.5% in 2018 to 23.63% in 2030, and the poverty rate is projected to gradually decline to 27% from 38% in 2018.

The iSbhujwa scenario leaves a significant gap between the likely future performance of the economy and government targets for 2030. The gap shows that while there will be some progress under the scenario's trickle-down path, relative to the targets for 2030 the scenario will significantly under-deliver. For example, under the iSbhujwa scenario, by 2030 the unemployment rate will still be approximately four times higher than the NDP target of 6%. The per capita GDP will reach only approximately 60% of its target, and more than one-fourth of the population will still live in poverty. At the same time, as the debt-GDP ratio is projected to rise under this scenario, fiscal austerity is expected to continue to restrict government's ability to expand social services to the growing population.

## iSbhujwa An Enclave Bourgeois Nation

### Macroeconomic Policy:

- Fiscal austerity continues to restrict annual increases in general government investment to 6% and general government final consumption expenditure to 7.5%.
- Investment by public corporations also annually increases by 6%.
- Monetary policy continues to strictly adhere to inflation targeting.

### Social Policy:

- Phase 4 of EPWP is introduced in 2019 with no changes to the number of job opportunities or remuneration rates of Phase 3.
- The social security programme remains unchanged, with grant amounts adjusting by 6% annually.
- No new major social policy measures are introduced over the next 12 years.

### Microeconomic reforms:

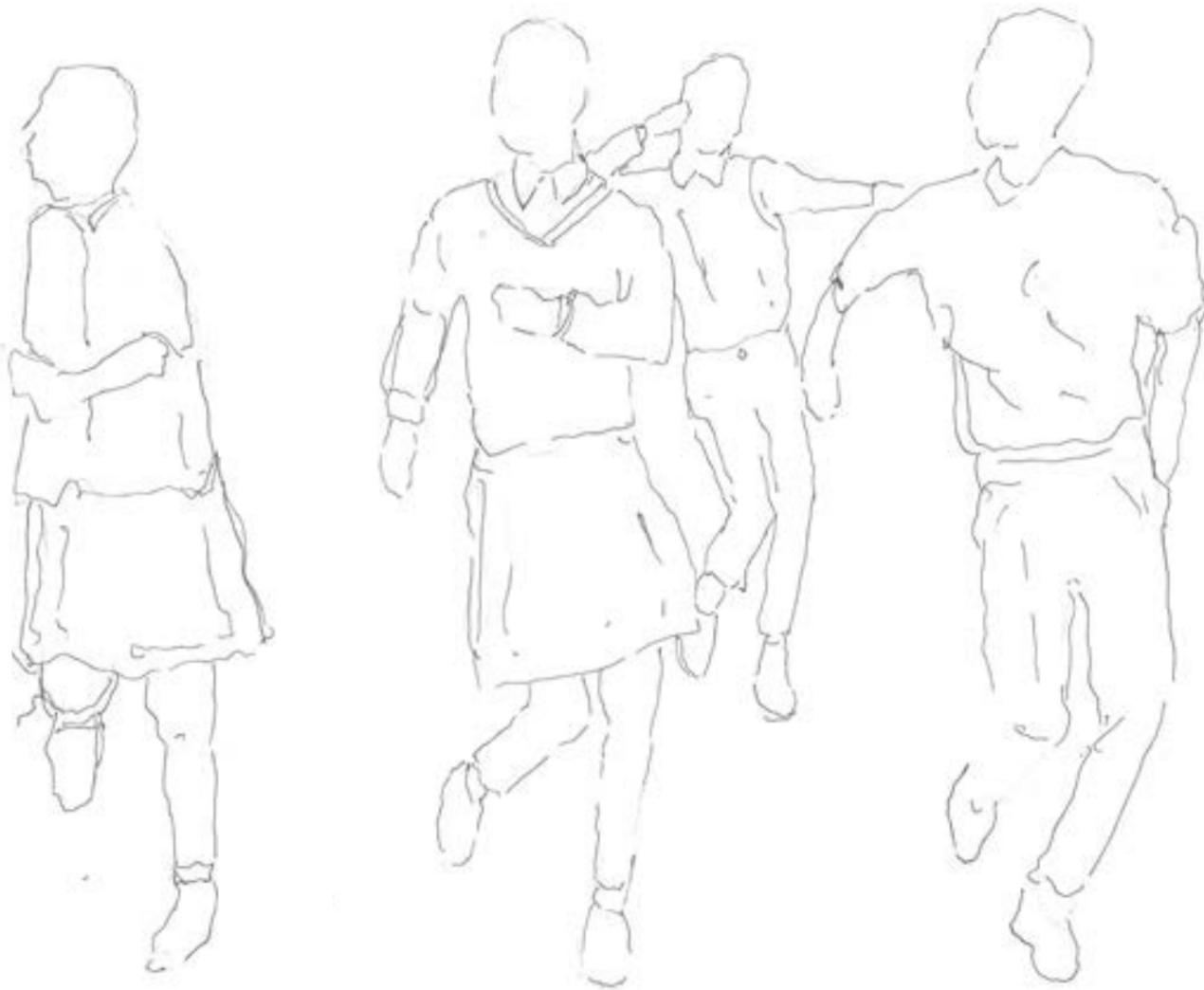
- Tourism sector exports expand by an additional 8% to 10% annually over the medium term (between 2019 and 2021). Thereafter, the positive shock to the sector exports is expected to gradually settle to 5% by 2020.
- Output of the Trade, Catering and Accommodation Services sector, which includes tourism, grows by an additional 2% to 4% over the next three years. Thereafter, the positive shock to the sector's growth is expected to gradually decline, reaching 1.4% by 2030.
- Export from the agriculture sector grows by an additional 1% in 2019 and by an additional half a percent every year thereafter.
- The price of the transport, storage and communication sector declines over the next 12 years by 5% to 10% initially (between 2019 and 2021) and then by an additional 5% annually.
- Labour productivity especially increases in the following sectors: transport, storage and communication, agriculture, food, basic chemicals, iron and steel, and trade, catering and accommodation services. Labour productivity in these sectors grows annually by an additional 1%.
- Increases in competitiveness, which leads to the gradual lowering of mark-up by two percent initially and an additional one percent during each subsequent year, occurs for the trade, catering and accommodation services; transport, storage and communication; and financial intermediation, insurance, real estate and business services sectors.

### External Environment:

- The level of foreign direct investment in South Africa increases to 0.05% of GDP.
- The gold price annually increases by 1%.
- The nominal value of total world import grows annually by 6%.

The primary objective of modelling support for the *Indlulamithi* Scenarios is to use economic modelling techniques to develop policy scenarios and projections of key economic and development indicators that support and strengthen the economic underpinning of *Indlulamithi* project scenarios. With the help of the ADRS's Dynamically Integrated Macro-Micro Simulation Model of South Africa (DIMMSIM™), we used the three *Indlulamithi* Scenarios to design and simulate relevant policy scenarios.

DIMMSIM™ is a multi-sector macroeconomic model of South Africa that also contains a full household micro-simulation model of the country. It captures the dynamic interactions between macroeconomic performance and household welfare. Simulations and projections of the model use various inputs that are exogenous to the model. These inputs include population data, policy parameters and other national and international parameters. Annexure B provides a brief non-technical description of DIMMSIM™.



# Nayi le Walk

## A NATION IN STEP WITH ITSELF

In a precise sequence of steps, this scenario choreographs a vision of a South Africa where growing social cohesion, economic expansion, and a renewed spirit of constitutionalism gets South Africa going.

For most South Africans still grappling with the generational burdens of joblessness, landlessness and inequality, the harsh everyday reality is that life is better...for some.

The 2019 elections, although fiercely contested, are mostly peaceful and they shift the mood of the nation. The ANC retains power with a reduced majority, and for some this is enough to unleash a wave of optimism. Foreign investors, entrepreneurs, NGOs and small businesses seize the initiative to invest in South African infrastructure, people and enterprises.

The opposition, although more diffuse and confrontational, remains committed to constitutionality and the rule of law, working with reconfigured Chapter 9 institutions to ensure more transparency and better governance.

### Concords and compacts

A national concord of social cohesion is initiated by civil society and government, which seeds new programmes to connect people across divisions of race, gender, ethnicity, class and religion. This increasingly takes place at grassroots levels and in schools, universities and TVET colleges, but also at the level of spatial planning as substantial resources are put into overcoming the physical legacy of apartheid urban planning.

This includes strong incentives for developers to create viable but affordable 'blended suburbs' or 'blurbs'. There is further expansion of

rapid urban transport, including the full Gautrain roll-out, the eThekweni Integrated Rapid Public Transport Network (IRPTN) and Cape Town's light rail and sky rail networks. All are operational by 2030.

Social housing schemes, developed either through refashioning urban buildings or building on newly title-deeded land, help to create a greater sense of integration in many urban areas.

### Slow-getters become go-getters

The role of the arts and culture in providing a platform for youthful artistic expression – and in animating this sense of national belonging – is recognised, resulting in more substantial commercial and apolitical public funding of the sector.

In the early 2020s, closer cooperation between the Department of Basic Education and the Department of Arts and Culture produces not just better education, but a revived Creative Industries Cluster much more attuned to the needs and aspirations of the 50% of South Africans who are younger than 27.

The biggest improvements come from a steady focus on equipping early learning centres and primary schools with resources, additional

staff and a move away from a 'day care' disposition. Initiatives to involve families more in their children's education are launched through a number of large pilot projects which, when successful, are rolled out in many parts of the country. Better training and equipping of teachers ensures that mother-tongue education is the 'new normal' for the first five years of schooling, in most districts. Shifting to English-language teaching in the last few years of primary school is more carefully managed.

### Every child counts

More pupils start to benefit from the radical refocus of efforts on the first 1 000 days of life, the expansion and better funding of early childhood development and the shift of educational funding priorities to primary schools. Realising that 'playing catch-up' from Grade 3 or Grade 4 was perpetually self-defeating and a root cause of South Africa's educational crisis at higher levels, the nation puts a great deal of energy into transforming the first five or six years of schooling.

At all levels and in many schools, teachers are retrained and incentivised via time-off and scholarships to get postgraduate qualifications. Additional teachers, including some from overseas, are drafted in to help at some poorly performing schools. As

**Better training and equipping of teachers ensures that mother-tongue education is the new normal for the first five years of schooling, in most districts**

teachers' knowledge and teaching skills improve, so does their confidence. Because of the shift to more years of mother-tongue instruction, pupils are able to enter high school with greater confidence in their maths, science and reading and writing skills.

All these factors, combined with national reading clubs and after-school maths clubs (using innovative new teaching methods and app-based technologies), finally pull South Africa off the bottom of the global reading and mathematics proficiency tables.

### Learning through Ubuntu

By 2030, efforts to devote more teaching and time to the promotion and understanding of civic values – including the exploration of nuanced and layered conceptions of Ubuntu and other communitarian ethics – start to pay off. These classes emphasise and imagine what social commitment looks and feels like – and allow pupils to delve deeply into understanding colonialism and apartheid, and the myths of racial and gender superiority that South Africa was historically built on.

From early childhood development through to university, students grapple with understanding why sexism, racism and xenophobia persist – and explore the 'system behind the system' that encourages these divisions of power and privilege.

By the late 2020s, South Africa's TVET colleges that battled with very low completion rates in the late 2010s are thoroughly overhauled. The best of them begin to produce the cadre of fitters, turners, mechanics, carpenters, bricklayers, plumbers, and boilermakers that South Africa needs for the infrastructure and building boom of the mid-2020s.

The country benefits from expanded access to higher education. What started off as a seemingly cynical act just before the ANC's 2017 NASREC Conference receives praise within South Africa and globally, as it plays a substantial role in skilling more young people and reducing inequality.

**Greater emphasis on financial literacy and understanding enterprise development helps grow self-sustaining and highly localised businesses**

### Active pathways

Young people are increasingly entrepreneurial and are keen to pursue livelihoods independent of the government and big corporations. Innovative solutions to upskilling South Africans for growing demand in the digital and services economy unlock more human capital – particularly among the youth.

In the 2020s, more active management of pathways out of the schooling system and into the world of work have enabled many so-called

NEETs (those Not in Education, Employment or Training) to transition into the economy. Digital technology transforms the world of work in the 2020s globally and locally. In order to have sustainable livelihoods young people come to rely more on self-employment in community-level services and micro-enterprises.

To prepare young South Africa better for this, schools focus on self-reliance and fostering a more digitally savvy generation than previously. Greater emphasis on financial literacy and understanding enterprise development helps grow self-sustaining and highly localised businesses.

Those who might have been NEETs now see opportunities more equitably shared, and this creates positive 'network effects' across households and communities.

### From boys to men

Inspired by growing access to socio-economic opportunities, young boys and young men learn better how to develop confidence to express emotions and how to value and respect girls' and women's bodies and lives.

The 2020s are transformational for gender relations in South Africa, as a growing economy helps alleviate poverty and empower more women and men. Companies, government departments and universities help change conditions in the workplace to facilitate women's participation in civic

life. More creches and day-centres are opened. Younger, more militant feminists transform the moribund ANC Women's League, the ANC itself and other political parties, as well as the leadership of many trade unions and NGOs.

Looking back to 2018, when barely 10% of South African CEOs and five percent of university vice-chancellors were women, it is hard to believe that by 2030 more than 30% of all CEOs and half of university vice-chancellors are women.

Campaigns to empower women at the grassroots, often led by women's community organisations, show increasing success.

Campaigns to equip men to participate more meaningfully in a rapidly changing world and to reduce levels of domestic violence, teen-pregnancies and intergenerational 'blessing' slowly turn the tide. South Africans involve themselves in wide-ranging campaigns that expose the systemic connections between patriarchy, economic exploitation, ethnic chauvinism and violence against women, children and LGBTQI+ people.

The 2020s also see government implementing the NHI in the face of steep opposition by those with some access to private medical care, including many in government. Growth-induced extra-tax revenues allow national and regional NHI

implementation teams to make good progress, as private sector expertise is drawn upon to develop the back-end health informatics systems, allocate health professionals, prevent fraud and corruption, reduce waiting lists and improve service levels.

The under-utilisation of capacity in the private system is used to reduce the dire lack of capacity in the public health system and new economies of scale and scope reduce South Africa's infant and maternal mortality rates over the course of a decade.

Five years are added to average life expectancy of both women and men by 2030.

### Reconfiguring the economy

Following intense debate and consultation, a new land bill is tabled, debated at great length and passed in Parliament in 2020. This not only allows for accelerated land redistribution, but also provides far better support for new landowners in rural areas.

Demands for urban land are met with quicker land release programmes, and a more nuanced response to the influx of people into South Africa's main cities. The release of state-owned land parcels and some expropriation of land (where needed) create more connected and secure urban communities and give more people a stake in the urban property eco-system. All 4 000 farms owned by the

state are transferred to new owners – individuals and community trusts – that receive support to use the land productively.

Agricultural linkages – between large and small farmers and local and international opportunities – are improved. South Africa embarks on a determined path to add value to its natural bounty. Agro-processing of fruit, wood and maize is substantially expanded and the state's Mineral Beneficiation Action Plan (MBAP) is slowly brought to fruition.

### Africa rising

To South Africa's great benefit and partly because of its patient behind-the-scenes diplomacy, many countries in Africa boom beyond expectation. Angola's new government reduces corruption and spreads its oil wealth beyond just 20 or 30 connected families. Zimbabwe's successful election in 2018 and the lifting of decade-old sanctions sees its economy rebound at astonishing speed – growing at 7% in 2021 alone. Additional trade and cross-border industrial clusters across the Limpopo are opened up. Zimbabwe becomes South Africa's leading African trading partner again, as had been the case until 2000. This alone adds 0.4% a year to South Africa's GDP from 2022 onwards.

Racked by decades of civil war and conflict, in the mid-2020s the DRC slowly recovers stability and its vast mineral wealth is better unlocked.

Even more distant economic booms, in Tanzania, Rwanda and the post-Museveni Uganda, blow fresh winds into South Africa's economic sails. Kenya, already growing consistently at 5% per year by 2019, ramps up further as it becomes a technology and innovation hub with clear and certain policies that attract investment.

New e-visa regimes facilitate international and inter-regional tourism. More visible policing in tourist areas as well as special tourism crimes courts, working at night and weekends as in 2010, help protect visitors to South Africa. Tourism to Africa expands rapidly as does tourism to South Africa from the continent.

South Africa's closer ties to East African Community member states, especially Uganda, Tanzania, Kenya and Rwanda, create a corridor of prosperity reaching into Ethiopia. Learning from Mali's innovations in low-cost irrigation and inspired by Kenya's methods of building tech innovation hubs, South Africa becomes a more integral part of the continental boom.

South African companies are able to participate in the US\$2-trillion set of projects to develop or refurbish African infrastructure. A South African consortium paves a fifth of Nigeria's dirt roads in the 2020s and many South African businesses help build ports, hospitals and schools across sub-Saharan Africa.

### Brexit boomerangs

Unexpectedly, the fiasco of Brexit gives the South African economy a welcome boost from 2021 onwards, as an isolated Britain refocuses its energy on the Commonwealth and South Africa in particular. King Charles III's visit to South Africa, Botswana and Zimbabwe in 2027 is followed by another round of large-scale investment in the region. This spurs competition with Germany for investments into South Africa and both are closely shadowed by Chinese mega-deals in mining and agriculture.

Brazil becomes a more eager trade and investment partner as it, too, tries to grow its way out of poverty. The two countries' chemical, pharmaceutical, sugar and media industries initiate a variety of joint ventures which entrench Brazil as our largest Latin trading partner.

South-South trade is further strengthened as the post-2019 government re-energises the India/Brazil/South Africa (IBSA) trilateral compact, forging new ties between three of the most democratic countries in the world, all with proud histories of solidarity and trade.

Locally, 'focus' becomes a mantra of those trying to guide the South African economy. Specific projects to

jump-start and support private-sector led growth in agriculture, tourism, mining and light manufacturing are implemented. Investment incentives and state support for light manufacturing initiatives and improved rural development based on the National Development Plan, help the economy grow in ways that employ and uplift a greater number of people.

New start-up funding schemes allow small businesses to more easily access capital, and more of the Public Investment Corporation's vast funds are channelled into medium-sized enterprises. Across the value chain, the mining sector is re-energised by an unpopular, but at least certain and predictable, Mining Charter which is signed in 2019.

### Fuelling growth

As rapid uptake of electric vehicles takes off in the 2020s, South Africa forges ahead with fuel cell technology in partnership with China, South Korea and the US state of California. By 2030 in Africa, fuel cell cars, buses and trucks and electricity generation are starting to catch up with electric vehicles and solar power generation, although it is widely recognised that it will take another decade or so for the fuel cell optimists to feel justified.

After years of disinterest, Eskom becomes a key participant in fuel cell off-grid generation as it partners with more private sector players in wind,

solar and energy-storage solutions. In 2025 Eskom announces a partnership with a Tesla-linked company to build a gigafactory in Limpopo and this soon begins supplying energy-storage batteries to supply the rest of Africa and the Middle East.

### Getting onto the belt

South Africa works hard to make its BRICS relationship work, twisting the arm of China to allow it and other African countries to join 'One Belt, One Road' initiatives and better integrate the region into China's growing global value chains. Both India and Brazil become more engaged and committed partners in developing the 'Global South' economically and in political terms. South Africa's 2019/20 seat on the UN Security Council allows the country to reaffirm its commitment to a foreign policy stance based on human-rights, alignment with the Global South and Afro-centrism.

### Growing pains

The trade union movement post-2020 is made up of three distinct strands in terms of strategy and tactics. A strong left critique comes from the likes of SAFTU and puts pressure on the government to consider populist steps while following centrist economic policies. COSATU, which is largely dependent on its core public sector unions, continues to hold onto its alliance with the ANC. Independent trade unions not affiliated to SAFTU and COSATU focus on under-organised workers and make many gains.



In Nayi le Walk, South Africa's economic growth recovers rapidly from the low annual averages of the 2010s

This fractured but determined trade union movement, including more militant new unions and federations, focuses more on pro-poor growth strategies, reassembled from the early RDP macro-planning initiatives of the early 1990s. These are inserted into the national political discourse and often into government policy and planning.

Building on this growing institutional capacity, better-performing education and some success in working through the complex issues of structural racism, discrimination and exclusion, the economy grows at 3.5% per annum in 2022 and 2023. Then, helped on by the lucky combination of Africa's 'decade', China's reviving economy, increased domestic and foreign investment, and a near doubling of South-South Africa trade, the country achieves an average growth rate for the decade of 4.5%.

This keeps pace with the 2020s average GDP growth from emerging markets, 4.8%, and is well above the global growth average of 3.4% for the decade.

### Protest and alienation

Despite rapid economic gains and sharp falls in unemployment, South Africa's high levels of inequality decrease at a frustratingly slow pace.

Criminal syndicates, some foreign and some local, forge deep alliances with each other – while also forging other people's ID books and bank accounts. Cybercrime and bank fraud become endemic as do the operations of sophisticated human trafficking and smuggling syndicates. Kidnapping, particularly of foreign nationals, is a growing challenge for a still under-resourced police force.

As the 2020s roll on, there are further overhauls of the police and justice system. More stringent vetting and training of law enforcers helps to contain crime and ensure that protests, while frequent, militant and even disruptive, are much less violent.

### Lining up and falling in

A better funded and commanded SANDF is able to run a popular youth 'national service' programme that sees hundreds of thousands of young people learn valuable skills and get a clearer sense of the career paths they might want to pursue.

The police too are transformed by a doubling of initial training time, new digital technologies and more rigorous recruiting.

Both the SANDF and the police are able to grow in the public's esteem: the SANDF for its youth scheme and brave peace-keeping missions and the SAPS for increasing detection rates, pro-active policing and, especially from 2024, declining crime rates.

### A government that flies economy class

In government, clarity of task and mission, clearer and more measurable outputs based on the revised and updated NDP plans and targets, and meaningful staff development raise morale and productivity.

Although hard to imagine after the prolonged wage negotiations and industrial action of 2021/22, as workers demanded a bigger share of the growing pie, from late 2022 performance management and incentive alignments see public officials, from mayors to headmasters and from directors-general to police officers and health workers, raise their game – or get booted out of the system.

**The ANC insists on a law for the calculation and publication of income differentials within individual companies and state-owned enterprises**

Cross-sector coordination, silo-breaching and improved clustering of departments help government coordinate better.

This is assisted by the establishment of the Centre of Governance – comprising the Presidency, the DPSA, DPME and National Treasury – which ensures closer alignment between the highest office in the land and the rest of government.

The unsettled labour relations environment also manifests in the private sector, with intense campaigns against the stubbornly high levels of inequality. In the build-up to the 2024 elections, the ANC insists on a law for the calculation and publication of income differentials within individual companies and state-owned enterprises – the gap between the lowest and highest paid employee. This triggers vigorous debate on what is ethical and acceptable. While salary ceilings laws are not introduced, the

prospect of 'naming and shaming' encourages some improvements.

### A time of trials

Particularly at the level of central government and at key state-owned enterprises (and less so at a provincial and regional level), good governance is prioritised, and clean audits become more the norm. The unfairly labelled 'show-trials' of 2019/20 see previously high-ranking officials successfully prosecuted – alongside their patrons from the private sector – and this makes a huge impression on the public.

The process is assisted by a plea-bargain campaign that results in some commuted jail time and reduced punishments, provided undertakings are given to 'pay-back-the-money'. In some cases amnesty is granted to certain leading families for their cooperation, which creates a great deal of controversy and anger among sections of society including court challenges are initiated by opposition parties to challenge the amnesties.

Faced with possible embarrassment in the Constitutional Court, the President relents but soon thereafter grants some high-profile convicts pardon, in the name of national security and social stability.

### A better public service

In the public service, more rigorous selection, longer entry-level training in administration and a four-year 'promotion moratorium' imposed on any officials implicated in non-compliant audit findings (which

survives many court challenges and public-sector go-slows) become a motivating norm for those who take the *service* part of public service seriously. The legitimacy of the public service improves as does respect for institutions that regain and proclaim their ability to do their jobs.

This allows the state to implement unpopular decisions, although the elimination of TV licences is widely welcomed. In addition, and because of a determination to jump more firmly into the digital era, government works with private telecommunication companies to ensure internet connectivity via fibre spreads across the nation, including previously neglected townships and rural areas. Social media become a preeminent source of news and information for many, while at the same time enhancing the ability of ordinary South Africans to make their voices heard.

### FIBRE AND FAST WI-FI

Because of a determination to jump more firmly into the digital era, government works with private telecommunication companies to ensure internet connectivity via fibre spreads across the nation, including previously neglected townships and rural areas.

Even as fake news abounds, a space is created which allows the SABC to recover its credibility as a source of useful and verified news, in the process expanding its digital platforms and channels to accommodate more languages and much more local news. Although it does retain a respectable listenership and viewership, this however does not stem its decline as

more people rely on emergent cheap pay-TV channels, internet live streaming services and a proliferation of channels on digital platforms.

### Viva the Constitution

In the era of state capture, the Constitution may have been viewed by some as an obstacle to self-enrichment. But from 2019 onwards, in the slipstream of the credible election with a high turnout, the state and civil society are able to push back against these 'constitutional delinquents', reaffirming the supreme law of the land and promoting a national sense of pride in the power of constitutionalism. A measure of the state's ability to govern effectively is its increasing ability to respond proactively in addressing the conflicts and grievances that feed into protest and to firmly discourage protest-related violence.

### Hamba kahle, freedom fighters

The last of the liberation struggle stalwarts retire or pass on. A younger generation, born into the age of democracy and the internet, start governing in politics and leading in business. They are more connected to the world and its infinite possibilities. More South Africans get involved and stay involved in helping to

create a better-functioning society. Membership of political parties and civic organisations, growing in the late 2010s, swells further in the 2020s. Spurred on by a sense of momentum and some success in reducing crime rates, South Africans in the diaspora slowly return, repatriating capital and skills.

### The path to a promise nearly fulfilled

In 2030, South Africans will be able to look back on 35 years of democracy with some satisfaction. While the process will have been messy and contested, and while the NDP targets on economic growth were not fully achieved, economic growth in the 2020s was far higher than expected – and jobs outpaced population growth.

South Africans are more in sync with each other as they see a more coordinated state deliver better services. South Africa has become a place where popular uprisings have given way to the rising up of the people. Promises of a better life for all become more tangible, not only just through the actions of government, but through the power of people taking charge of their own destinies.

# Nayi le Walk

## A NATION IN STEP WITH ITSELF

### Key features and synopsis

- Early childhood development programmes are expanded and more resources devoted to first years of education
- Increased promotion of civic values and conceptions of Ubuntu and other communitarian ethics start to pay off
- TVET colleges are overhauled to produce many more artisans, and university education is made more affordable
- Young people are increasingly entrepreneurial and keen to pursue livelihoods independent of the government and big corporations
- Various social compacts, civil society initiatives and new programmes connect people and social and political processes
- More social housing and multi-income 'blended' suburbs are developed and rapid urban transport systems are expanded
- National health insurance is implemented the face of steep opposition by those with some access to private medical care
- The country recalibrates its multilateral alliances to achieve a better balance between BRICS and traditional growth partners
- Intra-African trade increases as the economies of our close neighbours improve at more rapid rates than South Africa's
- Prosecutions are more successful and the sense of impunity in South Africa decreases
- Better recruiting, training and support create a more capable and productive public service. Public trust in key societal institutions grows
- There is higher domestic economic confidence and investment
- South Africa's credit worthiness is upgraded by global credit rating agencies as foreign investment levels improve
- Faster urban and rural land redistribution and better support for emerging farmers boost agricultural production, food security and urban integration
- From 2020, economic growth is more solid and predictable: GDP growth averages 4.5% to 2030
- The unemployment rate is reduced by about a percentage point a year between 2020 and 2030, to reach 16% by 2030

## Economic Modelling of Nayi le Walk

### ECONOMIC POLICY FRAMEWORK AND MEASURES

In this scenario past austerity-focused macro-economic policy gives way to a growth-oriented approach. This enables policymakers to consider fiscal and monetary policy tools for a more robust response to the country's developmental imperatives. Therefore, under the Nayi le Walk scenario, general government investment in economic infrastructure is pegged to increase from R87 billion in 2018 to close to R420 billion in 2030. Similarly, government investment in social infrastructure increases from R40.1 billion in 2018 to R196 billion by 2030, while economic services increase from around R30 billion to R143 billion during the same period. At the same time, investment by public corporations gradually increases from R184 billion in 2018 to R578 billion by 2030. The increased public investment provides for the allocation of significantly higher investment funds for building roads, bridges, railways, schools, hospitals, public housing, R&D and other economic and social infrastructure needs of the country.

Thus, the Nayi le Walk scenario expands government final consumption expenditure from a little more than R1 trillion in 2018 to R3.67 trillion by 2030, which means that between 2019 and 2030, it spends R3.61 more than the iSbhujwa scenario on the delivery of individual and collective social services.

Under the Nayi le Walk scenario, interest rate and credit extension policies are adjusted to lower the cost of borrowing, while easing access to credit by the

private sector (business and households). The pursuit of these policies are mainly to support government's stated objectives of promoting black-owned businesses, properties and the growth of small and medium-sized enterprises in general.

With the rising demand for skilled labour, government realises that there is little or no chance that the private sector alone will generate jobs for 6 million unskilled unemployed workers in South Africa. In addition to the expanded Special Economic Zones and township industrial parks, as well as an intensified programme to support small and micro enterprises, government decides to revamp the EPWP to become the Employer of Last Resort (ELR) for the unskilled-unemployed.

Under the Nayi le Walk scenario, trade and industrial policy centres on a social contract between the public sector and business. Corporations get extra resources to grow bigger and more innovative and in return these corporations are expected to create good-paying jobs in the country, and focus on sectors that promise the greatest social returns. Because the manufacturing sector has relatively larger spill-over effects, government focuses on this sector for public procurement and local content policies, industrial financing and other measures. At the same time, the Public Investment Corporation (PIC), which is expected to contribute to the broader socio-economic development of the country, significantly increases its

The primary objective of modelling support for the *Indlulamithi* Scenarios is to use economic modelling techniques to develop policy scenarios and projections of key economic and development indicators that support and strengthen the economic underpinning of *Indlulamithi* project scenarios. With the help of the ADRS's Dynamically Integrated Macro-Micro Simulation Model of South Africa (DIMMSIM™), we used the three *Indlulamithi* Scenarios to design and simulate relevant policy scenarios.

DIMMSIM™ is a multi-sector macroeconomic model of South Africa that also contains a full household micro-simulation model of the country. It captures the dynamic interactions between macroeconomic performance and household welfare. Simulations and projections of the model use various inputs that are exogenous to the model. These inputs include population data, policy parameters and other national and international parameters. Annexure B provides a brief non-technical description of DIMMSIM™.

investment in the manufacturing sector. Finally, the Public-Private Growth Initiative (PPGI), which is established with the goal of aligning strategic planning between the private sector and government to improve economic growth, invests at least R500 billion, mainly in manufacturing, over the next 12 years. This is assisted by a gradual increase in FDI. The Scenario Box on the next page provides more details on policy choices under the Nayi le Walk scenario.

### Economic Performance Under the Nayi le Walk Scenario

A well-coordinated annual increase in government current and capital spending boosts aggregate demand through the fiscal multiplier and increases aggregate supply overtime as the productive capacity of the economy increases. Combined with this is the virtuous cycle of rising consumer demand deriving from larger numbers of employed and self-employed people. With a more growth-focused monetary policy, demand effects are stronger and economic performance is significantly enhanced. These measures especially provide SMMEs with much-needed life support and accentuate the decline in debt-GDP ratio by engendering stronger growth.

The ELR provides millions with a form of income while the manufacturing sector grows significantly leading to the gradual reversal of negative trends in its share of total output and employment during the next decade. Other important outcomes of the Nayi le Walk include:

- an average growth rate of 5.74% for the period 2019–2030, which will more than double the size of the GDP
- an 80% increase in the real per-capita GDP
- an increase in the average investment-GDP ratio to 28%
- a debt-GDP ratio of 30.4% by 2030
- an average deficit-GDP ratio of -3.2% during the twelve-year period
- an increase in the available government

funding for major government programmes such as the NHI, the land reform, free higher education, greening the economy, and other important social and economic services

- a reduction in the unemployment rate by more than half, from the current 27.5% to 12.3% by 2030 and
- a reduction in the poverty rate by approximately two-thirds, from the current 38% to 13% in 2030

## Nayi le Walk A Nation in Step with Itself

### Microeconomic reforms:

- Tourism sector exports expand by an additional 8% to 10% annually over the medium term (between 2019 and 2021). Thereafter, the positive shock to the sector exports is expected to gradually settle to 5% by 2020.
- Output of the Trade, Catering and Accommodation Services sector, which includes tourism, grows by an additional 2% to 4% over the next three years. Thereafter, the positive shock to the sector's growth is expected to gradually decline, reaching 1.4% by 2030.
- Export from the agriculture sector grows by an additional 1% in 2019 and by an additional half a percent every year thereafter.
- The price of the transport, storage and communication sector declines over the next 12 years by 5% to 10% initially (between 2019 and 2021) and then by an additional 5% annually.
- Labour productivity especially increases in the following sectors: transport, storage and communication, agriculture, food, basic chemicals, iron and steel, and trade, catering and accommodation services. Labour productivity in these sectors grows annually by an additional 1%.
- Increases in competitiveness, which leads to the gradual lowering of mark-up by 2% initially and an additional 1% during each subsequent year, occurs for the trade, catering and accommodation services; transport, storage and communication; and financial intermediation, insurance, real estate and business services sectors.

### Trade and Industrial Policy:

- Industrial policy measures, such as various industrial financing incentives, succeed in directly and indirectly increasing total annual investment in the manufacturing sector by R10 billion during the next 12 years.
- Trade and industrial policy measures, such as the SEZ and African integration programmes, succeed in increasing total exports by an additional 1.5% after 2020.
- The government's Proudly SA and localisation policies succeed in gradually reducing the import dependency ratios of some sectors by 20% over the next 12 years.

### Macroeconomic Policy:

- Government and public corporations systematically increase their investment in economic infrastructure (e.g. roads, bridges, dams, electricity and water supply), social infrastructure (e.g. schools, hospitals, parks and administrative services) and economic services (e.g. business enterprises) by 10% annually over the next 12 years, which is 4% above the iSbhujwa scenario.
- Relative to the iSbhujwa scenario, the government's annual current expenditure is raised by an additional 3% in order to provide more financial support for the delivery of social services over the next 12 years.

## Nayi le Walk A Nation in Step with Itself

- The Reserve Bank acts to use monetary policy tools to contribute to the goal of achieving a growth target of 6% with a higher target for the upper limit of the inflation rate.
- Monetary authorities adopt necessary measures to raise the annual growth of the credit extension to the private sector to 15%.

### Social Policy:

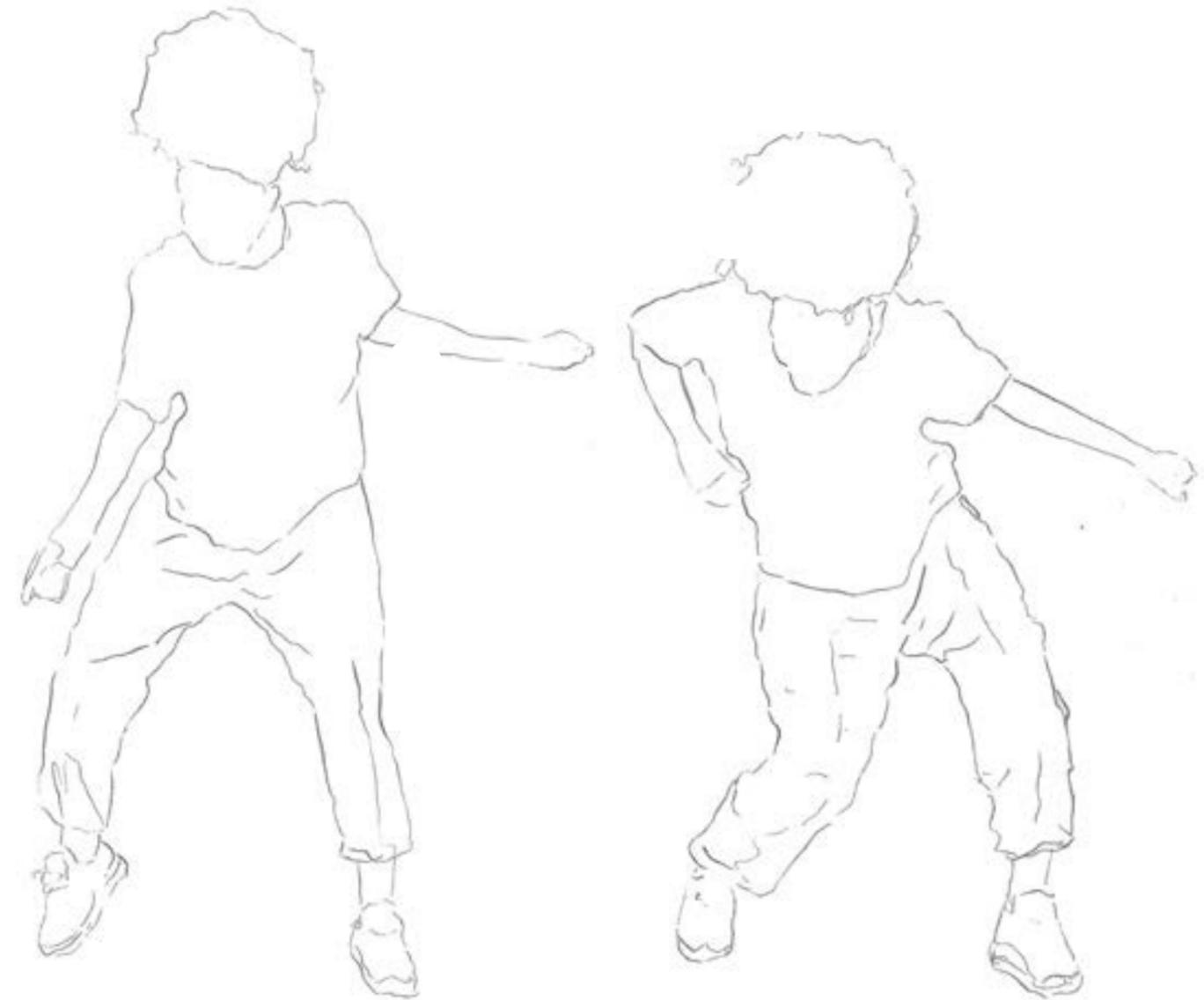
- With many unemployed people being absorbed in various economic activities, including SEZs, industrial parks as well as small and micro-enterprises, government gradually begins to make public works the employer of last resort for the unskilled unemployed in South Africa who are still left out. It originally caters for 70% of the unskilled unemployed before expanding the service to all unskilled unemployed after 2027. The daily remuneration rate for those involved in public works is significantly increased, and it is adjusted upward by 6% annually.
- The DSD introduces a new caregiver grant, for family members that take care of a child who receives either a child support grant or a care dependency grant. The programme is designed to allocate only one caregiver grant per family. The initial value of the grant is R300 per month which will increase by 6% annually.

### PIC and Private Sector Investment:

- Through the Public-Private Growth Initiative (PPGI), the private sector increases investment in the South African economy by R500 billion over the next 12 years.
- To contribute to the broader socio-economic development of the country, the Public Investment Corporation (PIC) increases its investment in the South African economy by R100 billion by annually investing R20 billion in the manufacturing sector between 2019 and 2023 (5 years).

### External Environment:

- The level of foreign direct investment in South Africa gradually increases from 0.05% to 0.13% of GDP between 2019 and 2030.
- The gold price annually increases by 2% and platinum group metals (PGM) as well as manganese also perform well, on the back of stationary and mobile applications of fuel cell technology and electricity batteries respectively.
- The nominal value of total world imports grows annually by 8%.



## Gwara Gwara

### A FLOUNDERING FALSE DAWN

In a nation torn between immobility and restless energy, Gwara Gwara embodies a demoralised land of disorder and decay.

Despite the state's best efforts before and after the 2019 elections, many records have been erased, and many tracks are long covered. Even in the most severe and clear-cut cases, the prosecuting authorities, often themselves deeply compromised, are unable to mount and sustain legal action. In a much remarked-upon irony, it became clear that the more corrupt and enriched ex-officials became, the better the legal defences they could now afford!

#### Lawfare and disorder

To growing rage, every charge brought is contested and every legal delaying tactic employed. 'Lawfare' is waged with a retinue of fancy, expensive lawyers, all expert at stringing out cases. Funding mysteriously appears from distant bank accounts seemingly set up for just such legal attrition. Few trials run to their conclusion, and even fewer of the corrupt are convicted in courts of law.

But in the court of public opinion, even those hardened by years of media exposure are shocked when it is revealed just how deeply even the forces of law and order have been captured and corrupted. From small-town metros to top echelons of the police, corruption runs deep, enabling transnational gangs to operate with increasing impunity. As the police sinks, so do the fortunes of the nation.

#### Leeches of the fiscus

SAA's turnaround strategy does not turn anything, as South Africans are

amazed at the airline's uncanny ability to bleed billions of rand from the fiscus.

Government will not be moved on even minimal private equity injection as unions – already facing loss of membership in the private sector – threaten to make South Africa ungovernable if large-scale privatisations or the liquidation of loss-making assets happen. An unexplained fire destroys an SAA plane on the ground at George airport, underlying the depth of opposition to the closure or sale of any of the state's assets.

Other large SOEs, particularly ESKOM, continue to leech on the limited reserves of the fiscus well into the 2020s.

The knock-on effect of this, as well as the rapid increased costs of government employee salaries, a strong uptick in social grant registrations and expanded funding for higher education hurts South Africa's balance sheet and balance of payments. South Africa has to borrow much more in the run up to the 2024 election as private sector confidence and desire to invest for the longer-term evaporate.

#### Calling the IMF

By 2027, South Africa's financial situation is so dire that an IMF loan is sought and granted. Not since the US\$850m loan in 1993 under the De Klerk government has South Africa had to involve the IMF in country affairs. Other creditors had become nervous of the new coalition government's

stability and South Africa's ability to recover from the 'crash of 2026', one of the worst financial meltdowns in global history. Loans are called in and the IMF stands ready to help, albeit with strict conditions for structural adjustment more stringent than some of the constraints government had initially proposed which were resisted by many unions and the left-leaning groupings.

The global crash also hurts other African economies, with further negative knock-on effects for South Africa.

#### Absolutely no consensus

A sense of impunity and failed prosecutions degrade the ANC's standing with many in the middle and aspiring classes, and this trend envelopes the poor in both urban and rural areas. Perceptions of the ruling party's commitment to clean government and effective service delivery continue to diminish.

The consciousness of unfairness and rage grows, as does people's dismay at their ongoing poverty. As mining jobs decline, many rural areas face new levels of poverty, despite some improvements in land distribution and support for local economic development.

There are long negotiations about forming a government of national unity even though the ANC's narrow absolute majority does not necessitate such coalitions. The widespread corruption of the 2010s is disrupted

but not defeated, and many of those complicit seek comebacks via ANC structures using funds externalised for precisely such possibilities. The formation of the African Radical Economic Transformation Congress using the ANC's regalia with impunity wins significant rural votes, and obtains another swath of election crosses because of its deliberate juxtaposition with the ANC in name and logo.

#### “Let someone else have a try!”

Despite weakness in opposition parties, the 2019 election does not give the ruling party the mandate they wanted, and Gauteng and North West provinces attain less than 50%.

Despite attempts at dealing with corruption, forces opposed to clean-up and the attempts to return to ethical leadership steadily gained ground within the ANC. By the 2022 party conference, these groupings had gained the upper hand. By the 2024 election, fragmented by infighting and weakened by the emergence of provincial factions unwilling to toe any national line, both the ANC and other political parties, new and established, face an angry electorate. After months of variations of the new rallying cry, 'let someone else have a try', the ANC is forced to concede power to a fractious post-2024 alliance of opposition parties in the lowest voter turn-out election in South Africa's democratic history.

**As policing becomes less reliable, South Africa enters a vortex of low growth, high crime and institutional incapacity**

Further splits in the opposition appear after the 2019 election, but the majority faction of the DA is able to form coalitions with a range of niche parties, creating a series of short-lived governments at provincial and national levels. Factions and splinter parties spring into being like electrical particles and disappear just as quickly.

Smaller parties become power-brokers in coalitions that are fluid and malleable.

Ultimately, the non-mandate of the 2024 voters ricochets through the halls of power. Polls show that the majority of citizens have become jaded and disillusioned.

#### Empty pots and empty promises

The politics of 'survival and of the pot' continue in the poorer rural areas, while lawlessness grows in South African urban heartlands. Drought in the early 2020s – exacerbated by lack of longer-term planning and dismissal of the effects of impending climate changes that hit Africa hardest of all continents – pushes even more people off the land, seeing 'intermediate' towns and cities swell with newcomers, while the larger metros also expand rapidly. In Gauteng and eThekweni in particular, sprawling informal settlements grow way beyond the capacity of metros to service residents'

needs. Protests and uprisings become more frequent and more violent.

#### Tender nation

Spending on health and education at provincial level is particularly targeted by fraudsters, with tender fraud becoming more sophisticated and widespread. At the same time medical malpractice judgments deplete provincial health budgets severely.

Crime and gangsterism increase, along with cybercrime, credit card fraud and kidnappings. International syndicates begin to see South Africa as an easy mark, pouring hundreds of millions of 'and into building their networks and buying corrupt cops.

As policing becomes less and less reliable, South Africa enters a vortex of low growth, high crime and institutional incapacity. Water purification plants break down frequently and acid mining draining projects falter as they are hit by corruption and inefficacy. The second phase of the Lesotho Highlands Water Project is further delayed, creating severe shortages of fresh water in South Africa's largest urban centres. Municipal corruption and inefficiency sees more than 100 municipalities placed under direct provincial control – a solution which seems to rarely solve anything.

#### Slow growth and speed bumps

The brief burst of euphoria in 2018/9 and the short-lived economic recovery are replaced by more disinterested investors and a mini-recession, partly induced by a global slump after

increased instability in the Middle East, Eastern Europe and the China Seas. The agreement on denuclearisation of the Korean Peninsula defies the enthusiastic tweets from the White House, as violations by North Korea are exposed.

A period of higher inflation, after the oil price shocks of 2023/4, cut into both wage gains and the real value of social grants (by then extended to 22 million beneficiaries), heightening the sense of divide between those who were able to earn a living and those who were 'granted' an income.

### Envy the New Zimbabwe

While foreign direct and long-term investment increased for almost every SADC country in the 2020s, with Zimbabwe attracting billions in new investments and seeing returning members of the diaspora bringing skills and capital, South Africa can only look on with envy, and a little resentment. Substantial non-speculative investments in mines, agribusiness and manufacturing begin to dry up.

By 2026/7, the number of people unemployed surges past 10 million for the first time in South Africa's history. 30% of South Africans cannot find work.

Land transfers speed up dramatically, but food production does not and South Africa battles to feed itself. The promised support for new land owners proves ineffective, while the impact of global climate change and drought only worsen the ravages of the barren land.



By 2026/7, for the first time in South Africa's history, there are 10 million people unemployed

The line between rich and poor is drawn ever more firmly, etched in the razor-wire and strands of electrified fencing that top the walls of private security estates.

South Africans, feeling poorer and poorer every year, do not enthusiastically participate in programmes to redress historical injustices or deal with devastating levels of domestic violence, rape and femicide. Even changing names of places – once fiercely contested but mostly popular – attracts fewer and fewer participants at public consultations as people suspect such exercises are meant to detract from rising unemployment and growing poverty.

Rather, TV soap operas and reality shows offer escapism – and the illusion of a society where mobility is possible. But even on screen, the poor seldom see their own reality reflected.

Every programme seems to punt the same aspirational message: strive for wealth, as only wealth is worth having! Being poor is seen as a self-imposed condition, not a structural disorder.

Inequality surpasses the high levels of the 2010s. By the late 2020s, the top 10% of wealthy South Africans reap almost 70% of all income, a grim reality that sows higher levels of alienation and social distance.

This is made worse by South Africa's overlapping health disease burdens: although new HIV infections are reduced to under 200 000 a year by the mid-2020s, levels of diabetes, heart disease and cancers grow. Major government campaigns to get people fitter and slimmer, targeting sugar-sweetened beverages and trans fats – and pleas to walk and move more – do little to dent the gradual increase in the average national waistlines and body masses.

### Downsizing the government

In desperation, the shaky coalition government makes some bold moves. Government, they said, was way too bloated with too many levels and too many SOEs operating outside sustainable market forces and beyond disciplines of prudent capital allocation and pricing. More private electricity suppliers are allowed onto the grid. Instead of expanding the state bank established by the ANC government in 2022, the DA-led government closes it down after the 2024 election.

### First there were four, then there were nine, then there are six

More dramatically, the coalition unleashes Sections 73 and 74 of the Constitution. Provincial consolidation is enacted to reduce the number of provinces from nine to six (during the days of apartheid there were four plus the Bantustans), with the additional amalgamation of municipalities into 'super metros' in rural and urban areas. This serves the DA's and EFF's electoral interests.

Despite prolonged debate and public consultation, such changes convulse South Africans opposed to some of the provincial consolidation in angry protests. Schools are torched, and highways blocked, but a determined coalition forces the pace of change. Fervent and repeated constitutional court challenges come to nothing, and the North West-Free State provinces, and the Northern and Eastern Cape respectively are amalgamated by 2028. Billions of rand in savings and

better governance soothe some the naysayers, as flows of resources to those who need them most improve a little. The merger of Mpumalanga and Limpopo, widely predicted to be a firestorm, goes better than expected as efficiencies emerge quickly.

### The metros get mightier

This boundary shifting is not confined to provinces. Responding to clamours from below, the coalition reorganises at the local level, with powers more efficiently devolved between the six provinces and about 50 or so new 'super metros', each containing four or five previously stand-alone municipalities. These 50 areas of governance allow for a better concentration of expertise and economies of scale.

### From low growth to no growth

But despite the post-2024 commitment to cleaner and more effective governance, the economy refuses to take off. For the second time since liberation, government fails to create the policy certainty that allowed other countries to ride to riches in the great commodities boom of the mid- to late-2020s. Ambiguity about property rights, restrictions on non-local land ownership and rising crime rates all play a part in deterring inward investment, despite South African award-winning 'national brand' marketing campaigns.

Tourism slows too, as kidnappings of wealthy tourists spike in 2024/5. Even special tourism protection units of

the SAPS are unable to stem the tide, partly because two notorious unit commanders were arrested for feeding information about tourist movements directly to hijacking gangs. At points, global headwinds and short-lived downturns also interrupt the flow of foreign investments and encourage wealthy South Africans to 'diversify their holdings'. Many do, as the elite moves assets and often their children's education offshore.

Even in these bleak times, there are some areas of progress. The more streamlined local and provincial government structures start generating savings and synergies and reversing some of the legacies of apartheid's rural spatial and land policies. Short and long-distance travel is better subsidised and supported, and measures of order are brought to taxi operations across the country.

Traditional leaders become more representative of their constituencies, and smaller-scale agriculture flourishes where people have security of tenure and proper support from local state programmes and NGOs. Linkages with agribusiness, some forced through charters and through improvements in minimum wages for those in the agricultural sector help several rural economies recover and move forward.

### Watching from the side-lines

As the economy slows, despite the global boom in demand, it looks like South Africa is losing out again. The exchange rate tests a new low against

a basket of global and continental currencies as capital takes flight. Zimbabwe's post-2018 government oversees six percent growth rates in early 2020s, and Mombasa's new international airport starts allowing tourist and investors to bypass OR Tambo airport when entering Africa. Mauritius and Botswana become mini-hubs of continental finance and trade coordination, despite South Africa's previously unassailable financial services infrastructure.

Kenya, Ghana and Nigeria, notwithstanding their high levels of inequality, also thrive, and the deepening of democracy in Angola and high average 2020s oil prices see the country – and many of South Africa's other neighbours – boom until the global crash of 2026 destabilises many economies.

### The unravelling

These regional successes only highlight South Africa's failures and how it stymied investment into its bountiful mineral and agricultural complexes that could have generated great wealth for the nation. Unemployment rises. Scapegoats are sought. Ethnic tensions increase. In many areas, foreigners are targeted. Inter-generational strife and incomprehension grow, with the young convinced they were being sold a fake future.

The demand for cheap labour and sex remains unbridled while countless women, men and children are caught up in local and transnational human trafficking syndicates that, like their drug-dealing counterparts, find South Africa a useful hub for their operations. Indigenous gangs in the Western Cape expand their territory, moving firmly into Port Elizabeth, Durban and Gauteng. Vicious turf wars between

local and Asian syndicates and Eastern European crime lords, as well as some local taxi bosses, see many South Africans caught in the crossfire.

### Your convoy or mine?

The wealthy insulate themselves with the best security money can buy. Informal convoys are often arranged for travel out of secure areas and high security Uber-like taxis – that come with a driver and an armed guard – become a feature of the well-to-dos' suburban life. The poor in many areas form self-defence units, long a feature on the Cape Flats, to protect life and property. But a new ruthlessness emerges as South African homicide rates increase, placing South Africa second in the world in terms of murders per 100 000 population annually towards the end of 2020s. Emigration surges, led by the black middle class: South African teachers, nurses, artisans and professionals are welcomed by an aging developed world that needs more health carers – and dog walkers. In 2028, almost 10% of Uber drivers in Toronto were revealed to be South Africans.

### A new dawn - or the glow of burning trucks in the distance?

After the raised hopes of the early 2020s, South Africa is even more of an up-and-down nation, with a more depressed and demoralised population drinking more readily.

For many it feels that a brighter morning is never coming.

Over time, the coalition government despite its liberal character, clamps down and becomes increasingly controlling. No one dares to use the term 'state of emergency' or invoke Section 37 of the Constitution, but

in many areas, this is effectively what is imposed. Individual freedoms are reduced. Reporting by the press is censored.

The state relies more and more on the 'Public Order' units of the South African police. The SANDF struggles to remain neutral, but there is not much resistance to this closing of democratic spaces as many citizens are willing to accept reduced freedoms in exchange for protection from an increasingly dangerous world.

### Halala, Madam President

After a bleak seven or eight years of growth rates of under one percent and 35 years after the first democratic election, South Africa, to the surprise of many, elects its first woman President and the first President from the generation born after 1980. Her declaration that "old men created this mess, let the women and the young clean it up" resonates with constituencies across South Africa, including many men.

Surrounded by those who came of political age in the 2010s, many committed and highly educated, their competence and confidence lights up the nation, reviving a sense that real change is possible.

This unexpected late-in-the-decade euphoria reminds the older generation of a time when a hopeful nation had wished for renewal in 2019, only to have seen their hopes fade with the terrible turmoil in the early 2020s, as both the ruling party and the opposition parties were riven with schism and disunity. In 2030, the nation prays that this time it would be different for South Africa, and not, once again, just a promising mirage.

# Gwara Gwara

## A FLOUNDERING FALSE DAWN

### Key features and synopsis

- Social cohesion is in steep decline as people retreat into linguistic and cultural identities
- Rising xenophobia, and South Africa's low-level gender civil war deepens as women become more empowered – and more targeted by men who feel left out of the mainstream
- Trust and belief – in fellow South Africans, immigrants and the state and social institutions – declines to new lows
- Many institutions are only partially 'liberated' – and some quickly get 'recaptured' by newly emerging elites
- Internecine battles within ANC continue – and other parties also fray, but retain enough coherence to form a coalition government between 2024 and 2029
- Foreign investment dries up and inflation increases steadily over the 2020s
- After prolonged debate and fierce contestation, the number of provinces are reduced to six
- Capacity declines in key areas of governance, and the reduction of provinces and the consolidation of municipalities into 50 administrative areas only partially alleviates the decline in services at local levels
- Ethnic and inter-generational tension and conflict increase
- Land grabs and highway blockades become regular occurrences. Illegal mining also spreads
- Unemployment rates never recede below 25% – and then increase towards the end of the 2020s
- GDP growth averages 1.5% over the decade with some periods of recession
- Attempts to improve state revenue through tax increases results in declining tax morality and compliance
- Debt to GDP ratios increase to 80% by 2030 and South Africa's debt is downgraded to junk status

# Economic Modelling of Gwara Gwara

## A FLOUNDERING FALSE DAWN

The election of 2019 did not bring about major changes in economic policy. The general perception within the government was that the poor economic performance was merely linked to the corruptions that had stemmed from the 'state capture' saga. Therefore, the new government's main focus was on uprooting the 'state capture' as a way to also reignite the economy. These efforts flounder in the face of resistance and poor capacity in law-enforcement agencies. At the same time, there were new calls for large fiscal adjustments to close the deficit and stabilise debt through the reduction of the wage bill, privatising core State Owned Enterprises (SOEs), dropping the implementation of commitments such as the NHI and subsidised higher education. Overall, the trickle-down path of the economy, with its supply-side measures, continued after 2019, with even less income and wealth trickling down to the masses as the MTEF's austerity-focused approach imposed annual cuts in real spending on social services and government transfers.

By the election of 2024, proponents of the extreme austerity akin to Structural Adjustment Programmes blamed the poor economic performance on incomplete implementation of their proposed supply-side microeconomic policies for structural reform. Under a coalition government, there were increasing talks of 'shock therapy' from some key cabinet members. Consequently, in line with this thinking, measures were adopted to withdraw state subsidies, cut public works programmes, reduce the real value of social grants, privatise more of the SOEs, abandon Buy South Africa and localisation policies, cut taxes and adopt a more restrictive inflation targeting approach. As outcomes

of these measures started to show, the country had moved to an immiserising growth path, with the rich getting richer and the poor getting poorer.

### Economic Performance Under Gwara Gwara Scenario

Under the Gwara Gwara scenario, the average economic growth dropped to below 2% and the official unemployment rate remained extremely high at 26% and above. The real per capita income thus improved slowly, by an average of 1.1% annually over the period, from approximately R55,000 in 2018 to R62,000 in 2030. The high rate of unemployment and the scenario's austerity on steroids approach restricted the growth of demand in the economy and, with it, the growth of output (supply). The real gross domestic expenditure, which measures total real demand in the economy, experienced the lowest Compound Annual Growth Rate (CAGR) during this period at 2.1% compared to 3.6% for 2002–2017.

Similarly, the CAGR of economic output dropped to 2.1% compared to 2.7% for 2002 to 2017. Contrary to the predictions of the proponents of the new policy, further privatisation and liberalisation of the economy did not yield a higher investment-GDP ratio by the end of the 2020s. In fact, the average investment-GDP ratio for the period was 6% lower than the corresponding average for 2002–2017. By 2030, approximately one-third of the population remained in poverty. The slow rate of per capital income growth and the worsening of inequality under the Gwara Gwara scenario significantly reduced the share of the poor from the economic pie, making the scenario an immiserising growth path for the country's poor.

## Gwara Gwara A Floundering False Dawn

### Microeconomic reforms:

- Tourism sector exports expand by an additional 8% to 10% annually over the medium term (between 2019 and 2021). Thereafter, the positive shock to the sector exports is expected to gradually settle to 5% by 2020.
- Output of the Trade, Catering and Accommodation Services sector, which includes tourism, grows by an additional 2% to 4% over the next three years. Thereafter, the positive shock to the sector's growth is expected to gradually decline, reaching 1.4% by 2030.
- Export from the agriculture sector grows by an additional 1% in 2019 and by an additional half a percent every year thereafter.
- The price of the transport, storage and communication sector declines over the next 12 years by 5% to 10% initially (between 2019 and 2021) and then by an additional 5% annually.
- Labour productivity especially increases in the following sectors: transport, storage and communication, agriculture, food, basic chemicals, iron and steel, and trade, catering and accommodation services. Labour productivity in these sectors grows annually by an additional 1%.
- Increases in competitiveness, which leads to the gradual lowering of mark-up by two percent initially and an additional one percent during each subsequent year, occurs for the trade, catering and accommodation services; transport, storage and communication; and financial intermediation, insurance, real estate and business services sectors.

### Trade and Industrial Policy:

- Industrial policy measures, such as subsidies on products and production and various industrial financing incentives are discontinued.
- The government's Proudly SA and localisation policies are phased out.

### Macroeconomic Policy:

- Fiscal austerity continues to restrict annual increases in nominal general government investment to 5.5% and nominal general government final consumption expenditure to 6%.
- The household income tax rate for brackets 4 to 7 is reduced by 2%.
- Investment by public corporations annually increases by 5.5%.
- Monetary policy continues to strictly adhere to inflation targeting with the ceiling for the inflation rate reduced to 4%.

### Social Policy:

- The annual number of EPWP job opportunities is halved for the Phase 4 of the programme.
- The annual adjustment of the amount of all social grants is limited to 3%.

### External Environment:

- The level of foreign direct investment in South Africa gradually declines from 0.05% of GDP in 2018 to 0.005% of GDP.
- The gold price annually increases by 1%.
- The nominal value of total world import grows annually by 6%.

The primary objective of modelling support for the *Indlulamithi* Scenarios is to use economic modelling techniques to develop policy scenarios and projections of key economic and development indicators that support and strengthen the economic underpinning of Indlulamithi project scenarios. With the help of the ADRS's Dynamically Integrated Macro-Micro Simulation Model of South Africa (DIMMSIM™), we used the three *Indlulamithi* Scenarios to design and simulate relevant policy scenarios.

DIMMSIM™ is a multi-sector macroeconomic model of South Africa that also contains a full household micro-simulation model of the country. It captures the dynamic interactions between macroeconomic performance and household welfare. Simulations and projections of the model use various inputs that are exogenous to the model. These inputs include population data, policy parameters and other national and international parameters. Annexure B provides a brief non-technical description of DIMMSIM™.

# TRACKING THE SCENARIOS:

## CONSTRUCTING THE INDLULAMITHI BAROMETER

### WHY A BAROMETER?

The *Indlulamithi* Scenarios seek to go beyond the scenario development and dissemination phases and become useful for ongoing policy making over the long term. To do this, the *Indlulamithi* team will track South Africa's development across multiple domains in relation to the scenario storylines and provide an annual assessment of where South Africa is 'heading' in relation to the three scenarios. Using both economic modelling and a sophisticated scenario barometer, this annual update will signal both opportunities and warnings. The barometer measures the extent to which the different scenarios are materialising over time by aggregating carefully selected scenario-relevant indicators.

The Barometer was designed by Social Surveys Africa in early 2019 and will be refreshed continually until 2030, with at least one comprehensive update on '*Indlulamithi* Day', i.e. on 21 June, every year.

The Barometer has two main components: a 'story-telling' component which compiles important and emotive events of the year into an audio-visual format, and a 'data-driven' component which compiles information on 52 carefully identified indicators each year

into a set of data visualisations and brief written description.

### Telling the Story of the Year that was

The 'story-telling' component draws on media analysis as well as online survey data of two sets of key stakeholders:

- the *Indlulamithi* Leadership Group, made up of over 30 experienced thought leaders from across South African government, business and civil society, and
- A selection of young South Africans, reached through the Social Surveys Africa online Khetha! Platform. 162 young people responded as part of the 2019 Barometer preparation process.

Both constituencies were asked to identify key events between July 2018 and May 2019 which had influenced their sense of the country, including their level of confidence in South Africa, as well as asking them to flag key events or processes which they felt would most strongly influence the future trajectory of the country. These inputs were collated and combined with an analysis of high profile media stories throughout the year.

Following the scenarios 'key driving forces, these are some of the key scenario-relevant events in 2018-2019 that the surveys and media review highlight as important 'shapers' of South Africa going forward.

### Institutional Capacity and Leadership

- 'State Capture', and further revelations of how deep-seated and widespread corruption was in both State-owned Enterprises and some government agencies. Four Commissions of enquiry have and are exploring mismanagement and graft at every level in society, with one Commission, The Nugent Commission of Inquiry into Tax Administration and Governance by SARS completed so far, resulting in the firing of the SARS commission and a finding of "a massive failure of integrity and governance at SARS" and "reckless mismanagement on the part of Mr Moyane" and that "what occurred at SARS was inevitable the moment Mr Moyane set foot in SARS. He arrived without integrity and then dismantled the elements of governance one by one."
- Continued divisions within all the major political parties (ANC, DA and EFF)

### The Indlulamithi Barometer prioritises and augments existing datasets to track South Africa's trajectory against the scenario stories.

- A modest rise of support for parties with more overtly populist stances, with the EFF receiving 10.79% and the VF+ receiving 2.37% of the vote.
- Despite the lowest-ever voter turn-out, the elections were widely regarded as successful, peaceful and credible. Compared to 1999, 2019 saw voter turnout decreased by an average of 23.77%. Compared to 2009, voter turn-out in Limpopo dropped by 34.72%, in the Eastern Cape by 30.52% and in the North West by 29.87%.
- Planned and unplanned electricity outages across the country (load shedding), particularly during February and March 2019, severely undercut economic production in the first quarter of 2019. GDP for the first quarter of 2019 was 3.2% down on 4th quarter of 2019 figures, which is an unexpected and more severe drop than was anticipated.
- Severe municipal water quality crises in several large and small municipalities.
- Well attended public hearings and subsequent Land Expropriation without Compensation task teams started looking at formal policy-making and constitutional processes to develop the new policy approach to land redistribution and restitution.
- Long-term climate change mitigation policies were developed and released.

### Social Inequality

- Many respondents mentioned sharp increases in the cost of living, partly because of the impact of the early 2018 VAT increase, and higher petrol prices.
- Stubborn unemployment and youth unemployment rate remaining high and climbing, with the General Household Survey 2018 (released May 2019) showing that social grants remain the second most important source of income (45,2%) for households after salaries (64,8%), and the main source of income for almost one-fifth (19,9%) of all households nationally.
- On the positive side in terms of gender equality, the new post-election cabinet is 50% women. Progressive national policies and informed public debate on reproductive rights of women in South Africa continues, which is encouraging compared with regressive steps in many other parts of the world.

### Resistance, resentment, reconciliation

- There is wide-spread trust in President Ramaphosa.
- However, many forms of unrest continue across the country. There have continued to be high levels of sporadic xenophobic violence, now also targeting long-distance truck drivers.
- Community protests have continued at high levels, with both numbers of protests and their intensity seemingly increasing before and after the elections, including high-profile protests in areas like Alexandra, Johannesburg. The Road Freight Association (RFA) estimates that about 1 400 trucks across the country have either been burnt, damaged or destroyed, and fatalities since the beginning of 2018 to mid 2019 exceed 200 people.
- On the positive side, sports leadership in gender equality with runner Caster Semenya receiving massive support from across the nation when discriminated against by the IACC, and the female national football team Banyana Banyana being granted the same pay as the male national football team Bafana Bafana for winning games.

### BAROMETER METHODOLOGY

The 'data-driven' component of the *Indlulamithi* Barometer measures South Africa's developmental

trajectory in relation to each of the three *Indlulamithi* Scenarios. The Barometer draws on a range of other indices and indicator compilations - including the South African National Development Plan indicators, the Social Progress Index, World Development Indicators released by the World Bank and many others - but has selected and combined indicators, as well as adding unique indicators, based on variables identified as most important to the logic of each of the scenario story lines. The *Indlulamithi* Barometer prioritises and augments existing datasets to track South Africa's trajectory against the scenario stories and gives an overall snapshot of the 'state' or the 'health' of the nation across various dimensions.

The Barometer is constructed out of 52 indicators, drawing from various measurements of the 25 'variables' identified during the scenarios development process and organised according to the three Key Driving Forces used to tell the scenario stories - institutional and leadership capacity; social inequality; and resistance, resentment and reconciliation.

Out of the 52 indicators, 42 (81%) are quantitative measures (e.g. GDP growth, % of children with stunting, % of South Africans who agree that South Africans still need reconciliation, etc.) and 10 (19%) are qualitative measures (the extent to which higher education is privatised and deregulated, the level of political party factionalism,

etc.). The quantitative indicators were selected based on the availability of existing data, mostly measures that are published annually and either recognised nationally or internationally through official publications by government, intergovernmental agencies or large NGOs. Box 1 below lists the data sources.

For each quantitative indicator, cut-off points were defined, based on which the actual result for the given year is allocated to one of the three scenarios. As an example, GDP growth under 2% is allocated to Gwara Gwara, between 2-3.5% to iSbhujwa and 3.5% or above to Nayi le Walk. 2018-2019 GDP growth of 0.8% is therefore categorised as falling within the Gwara Gwara Scenario bracket. As the Barometer is repeated annually, each indicator's allocation to one of the scenarios will be tested and updated, based on where it falls between cut-off points in that year.

These cut-off points were defined in a range of ways. Some indicators were defined in relation to the average of global middle-income countries (as defined by the World Bank Development Indicators), since, within the logic of the Nayi le Walk Scenario, South Africa would want to fall near or above this average. We would remain slightly below it if iSbhujwa started to 'come true', and well below it if Gwara Gwara was to eventuate.

For other indicators that draw on the Social Progress Index, a similar comparison logic is used for the

average of 15 countries around the world with similar GDPs. Some indicators are compared against the stated goals of the National Development Plan, such as achieving complete eradication of poverty (under the lower poverty line) by 2030 and achieving a halving of unemployment when comparing the 2010's average rate to 2030. Indicator values which are closest to these goals have been allocated to the Nayi le Walk scenario, with progressively higher levels of poverty and unemployment allocated to the other scenarios.

All cut-off points have been matched with explicit targets described in the original scenario narratives, as well as with allied economic modelling completed (as described in each of the Scenario descriptions in the sections above) to test the internal consistency of each scenario's economic predictions.

The qualitative indicators are explicitly described for each scenario, based on the scenario narratives and discussions with the scenario development team and will be updated frequently.

#### Box 1: Key Data Sources for *Indlulamithi* Barometer Quantitative Indicators

1. Statistics South Africa (General Household Survey, Quarterly Labour Force Survey)
2. Auditor General Annual Report
3. Department of Basic Education Annual Report
4. Parliamentary Monitoring Group
5. Afrobarometer South Africa
6. Institute for Justice and Reconciliation 'South African Reconciliation Barometer'
7. Mo Ibrahim Index of African Governance
8. 'Freedom House Freedom in the World Report'
9. CIVICUS Monitor
10. Reporters without Borders World Press Freedom
11. IndexWorld Bank Development Indicators
12. Social Progress Index

**Table 1: Indlulamithi Indicators, sources and cut-off points by Scenario.**  
**The 2019 status - where we believe South Africa is for this variable in 2019 - is marked in colour.**

Institutional Capacity and Leadership (22 Indicators)					
	Variable	What will be measured/what is the measure based on / Source of measurement	iSbhujwa The range and the 'cut off's for measurements to be allocated to this scenario	Nayi le Walk The range and the 'cut off's for measurements to be allocated to this scenario	Gwara Gwara The range and the 'cut off's for measurements to be allocated to this scenario
I 1	State administrative capacity: financial management	The number of unqualified audits (with or without findings) for all audited state entities, released annual Auditor General report	Over 80% of audits unqualified. Trend stable or improving	70-80% unqualified. Trend stable or slight decrease/increase	Under 70% unqualified. Trend decreasing
I 2	State administrative capacity: financial management	Tax revenue (% of GDP) (compared with Africa average and OECD average-World Development Indicators)	25-30% (approaching OECD average)	20-25%	Under 20% (approaching Africa average)
I 3	State administrative capacity: municipalities	% municipalities considered dysfunctional - CoGTA and media reports	under 10%	10-25%	over 25%
I 4	State administrative capacity: basic services provision: electricity	Qualitative: Eskom Planned Power Outages - media sources	No outages. Increasing mix of public and private alternative power providers	Some outages. Middle classes and businesses increasingly have independent power sources	Regular planned outages. Middle classes and businesses increasingly have independent power sources
I 5	State administrative capacity: basic services provision: water	Qualitative: municipal water quality breakdowns - media sources	Occasional water quality challenges, but considered unacceptable exception, immediately identified, made public and addressed	Water quality compromises common. Fixed quickly for middle class areas or compounds develop own water treatment/filter capacities. Water quality in poor areas decreases	Wide-spread water quality reductions become the norm; tap water becomes widely undrinkable. Middle classes filter or buy own water. Poor left to boil/filter own water

I 6	State-owned Enterprises	Qualitative: SoE ownership and functionality	Function efficiently and profitably (possibly as PPPs) without drawing on the fiscus	Partially privatised	Resistance to privatisation so continue to bleed public fiscus
I 7	Policy Process: Climate Change	Qualitative: Progress on Climate Change Adaptation Policy - media sources	Consolidated policy published and implemented with cross-sectoral (govt and business) support	Policy published but only partly implemented with business resistance	Policy published but badly implemented with little govt or business attention
I 8	Policy process: Land Reform	Qualitative: Progress on Land Reform policy and implementation - media sources	Policy process followed, consultative processes taken seriously, substantive land allocation by rational means, recipients supported	Policy process followed, consultative processes mostly for show, partial land allocation by rational means, recipients not supported	Policy process only partly followed, consultative processes used for populist mobilisation, partial land allocation for patronage, recipients not supported
I 9	Policy process: Health	Qualitative: Progress on NHI policy and implementation - media sources	NHI implemented successfully	Private sector block NHI	Tender fraud and malpractice claims deplete public health budgets
I 10	National Gender Balance in Parliament	% Women in Parliament - WDI	At least 50%	40-50%	Less than 40%
I 11	National Youth Representation in Parliament	% of MPs 35 or younger (2018) - Parliamentary Monitoring Group compared with <a href="https://www.ipu.org/our-work/youth/data-youth-participation">https://www.ipu.org/our-work/youth/data-youth-participation</a>	Over midway point of global averages for MPs under 30 (2%) and under 40 (14%) (2016) = 6%	Around midway point of global averages for MPs under 30 (2%) and under 40 (14%) (2016) = 6%	Under midway point of global averages for MPs under 30 (2%) and under 40 (14%) (2016) = 6%

I 12	Political Parties constellation	Qualitative: media and election results	ANC retains power	Governing coalitions and splits within the major parties	ANC discredited. All parties fragment. Opposition coalition from 2024 which regularly factions and splits. No political stability
I 13	Governance Quality	Mo Ibrahim Foundation Governance Index (2018)	In top 10 countries in Africa, stable or positive trend	Below top 10 countries in Africa, gradual declining or annual up and down trend	Below top 10 countries in Africa, fast decline over several years
I 14	Media freedom (laws and treatment of journalists)	Reporters without Borders World Press Freedom Index	Media freedom protected and investigative journalists active and not constrained	Investigative journalists not protected by the state from 'privatised' threats	Media freedom curtailed and investigative journalists harassed or jailed
I 15	Civil society strength	CIVICUS Monitor	Open	Narrowed	Obstructed
I 16	Political rights and civil liberties	Freedom House Freedom in the World Report	Free	Partly free	Not free
I 17	Climate Change	Greenhouse gas emissions (CO <sup>2</sup> equivalents per GDP) Trend - Social Progress Index (SPI)	Significant and steady annual decrease	Small or inconsistent annual decrease	Annual increase
I 18	Institutional Environment for Small Business	Number of Days to start a business, compared to upper middle-income average (26 in 2018) - WDI	Under upper middle-income average	Around upper middle-income average	Above upper middle-income average
I 19	Economic Sectors: Mining	Qualitative: growth and stability of sector - media sources	Stable	Stable but loses jobs	Investment reduced. Failure to make most of commodities demand boom due to policy uncertainty. Spread in illegal mining

I 20	Economic Sectors: Agriculture	Qualitative: growth and stability of sector - media sources	High growth through improving agricultural linkages and agro-processing	low growth	Investment reduced
I 21	Economic Sectors: Agriculture	Share of total formal and informal (non-agricultural) employment in manufacturing - StatsSA QLFS Q1 2019	More than 20%	15-20%	Less than 15%
I 22	Economic Innovation and Adaptation	Research & Development Expenditure as % of GDP, compared to Upper Middle Income Countries (2016, 1.66%) - WDI	Above upper middle-income average	Around upper middle-income average	Under upper middle-income average

### Social Inequality (19 Indicators)

S 1	GDP Growth	WDI	above 3.5%	2-3.5%	below 2%
S 2	Gini coefficient (national)	WDI (2015) compared to NDP 2030 goal of 0.6 (from baseline of 0.69 in 2009)	Reached NDP goal of 0.6 or strong downward trend	Vacillating between 0.61 and 0.65	Above 0.65 or strong upward trend
S 3	Poverty: % population under the poverty line	WB report on Poverty and Inequality: national lower bound poverty line of R647 per person per month in 2015 prices, compared with NDP goal of 0% under poverty this line by 2030	Under 10%	10-30%	Over 30%
S 4	Poverty reduction trend (direction of poverty reduction aggregate in past 5 years)	WDI: 2011-2015 trend	Poverty reducing	Poverty remaining stable	Poverty increasing
S 5	Nutrition/Poverty: % HH food access severely inadequate	Stats SA GHS (2016 data released 2019)	<5%	5-10%	Over 10%

S 6	Health: Life expectancy at birth (total years)	Stats SA Midyear Population Estimate	Increasing for all groups by 5 years (from 2017 base of 63)	Increasing for upper/middle class, decreasing for poor. Overall slight decrease from 2017 base of 63	Decreasing trend from 2017 base of 63
S 7	Health: Maternal mortality rate (deaths/100,000 live births)	Social Progress Index: 2018 data	Better than 15 reference countries with similar GDP (as calculated by SPI national scorecard)	Average for 15 reference countries with similar GDP	Worse than 15 reference countries with similar GDP
S 8	Health: Under-5 mortality rate	Social Progress Index: 2016 data based on Stats SA GHS	Better than 15 reference countries with similar GDP (as calculated by SPI national scorecard)	Average for 15 reference countries with similar GDP	Worse than 15 reference countries with similar GDP
S 9	Health: Child Stunting (% of children)	Social Progress Index: 2018 data	Better than 15 reference countries with similar GDP (as calculated by SPI national scorecard)	Average for 15 reference countries with similar GDP	Worse than 15 reference countries with similar GDP
S 10	Employment: Share of youth NEET (not in education, employment or training)	WDI: Share of youth not in education, employment or training, total (% of youth population)	Under 20% and with a downward trend towards OECD average (16%)	Between 20-30%	Over 30% and with a stable or upward trend
S 11	Employment: Young Youth (15-24)	Stats SA QLF Q1 (2019): % youth (15-24) unemployed	Similar to general unemployment rate	Half again the general employment rate	Around double the general unemployment rate
S 12	Unemployment: with advanced education	WDI (2018): compared with upper middle-income average (avail data 2017 or 2018) 7.8%	Under upper middle-income average	Around upper middle-income average	Above upper middle-income average
S 13	Employment: unemployment, total	WDI: unemployment total (national estimate) 2017 compared with upper middle-income average (2017) = 5.8 And with NDP target for 2030 (6%)	Between 1 and 2x the upper middle-income average (6-12%)	Between 2 and 4x the upper middle-income average (13-24%)	More than 4x the upper middle-income average (above 25%)

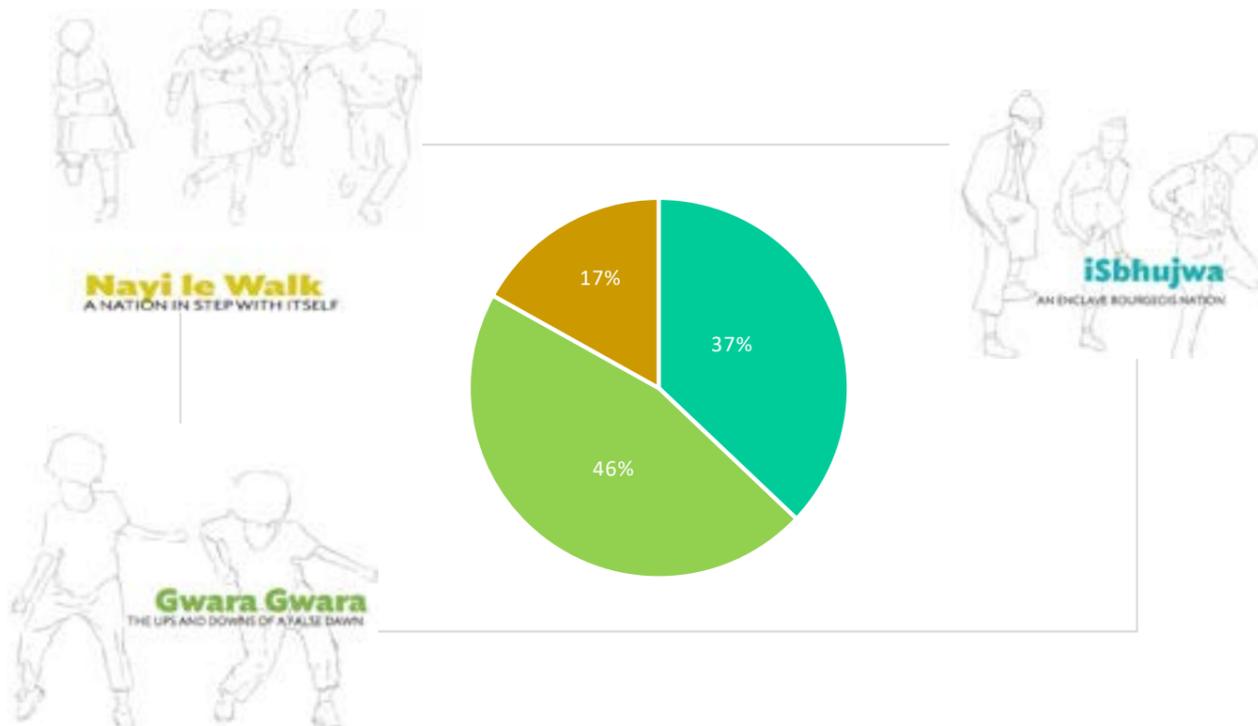
S 14	Employment: unemployment race gap	Stats SA QLF Q4 (2018) difference between black and white unemployment rates	Less than 10% difference	10-20% difference	More than 20% difference
S 15	Education: ECD: inequality of group learning access for 4-5 year olds	South African Early Childhood Review (data from GHS 2015): difference between top and bottom income quintile probability of 4 years old attending group learning programme	Less than 10% difference	10-25% differences	More than 25% difference
S 16	Education: Grade 12 completion rate (out of cohort starting Grade 1)	DBE Annual Report (2017-2018) compared with UNESCO global data on secondary completion rates	Above average of upper middle-income countries (59% in 2017)	Around average of upper middle-income countries (59% in 2017)	Under average of upper middle-income countries (59% in 2017)
S 17	Education: tertiary	Qualitative: ownership and regulation of tertiary education sector - media sources	Public TVETs improve in quality and no-fee tertiary education expands access to higher education. University quality remains high as student numbers are increasingly balanced across universities and TVETs	Higher education increasingly privatised. Wide range of quality in TVET and private universities without good quality controls. Many young people graduate without prospects of their degrees being recognised in the world of work	Free higher education puts pressure on fiscus. As numbers increase without sufficient university capacity, quality falls
S 18	Safety: annual intentional homicide rate (deaths per 100,000)	WDI (2015): compared to upper middle-income average 7.2	Around upper middle-income average	Between average and twice the upper middle-income average	More than twice the upper middle-income average
S 19	Safety: Traffic deaths	Social Progress Index (2018)	Better than 15 reference countries with similar GDP	Average for 15 reference countries with similar GDP	Worse than 15 reference countries with similar GDP

## Resistance, resentment, reconciliation (11 Indicators)

R1	Media freedom (public support for)	Afrobarometer: Which of the following statements is closest to your view? 1: The media should have the right to publish any views and ideas without government control. 2: The government should have the right to prevent the media from publishing things that it considers harmful to society.	Majority of public support media freedom	Public split evenly between media freedom and control	Majority public support government control over media
R2	Sense of hope/ belief in country's trajectory	Afrobarometer: Would you say that the country is going in the wrong direction or going in the right direction?	>50% right direction	Major differences in direction assessment by race group or age groups	<50% right direction
R 3.1	Trust/belief in Courts	Afrobarometer: The courts have the right to make decisions that people always have to abide by	>60% agree	40-60% agree	<40% agree
R 3.2	Trust/belief in Courts	Afrobarometer: In your opinion, how often, in this country: Do judges make decisions that are independent and free from the influence of outside or other parties?	>60% often or always	40-60% often or always	<40% often or always
R4	Perceived Freedom of speech	Afrobarometer: In this country, how free are you to say what you think?	>50% completely free	Divided responses	>50% not free
R5	Perceived Freedom of civil society association and holding govt to account	Afrobarometer: Please tell me if there is more or less freedom now compared to a few years ago, or are things about the same: The freedom of independent groups or non-governmental organisations to speak, hold meetings, or advocate their views freely, including criticising the government if they choose?	More or same freedom	Divided responses	Less freedom

R6	Sense of hope/ belief in country's economic trajectory	Afrobarometer: Looking ahead, do you expect economic conditions in this country to be better or worse in 12 months' time?	>50% better	Middle class better, working class and poor worse	<50% better
R7	Perceived corruption trend	Afrobarometer: Q45. In your opinion, over the past year, has the level of corruption in this country increased, decreased, or stayed the same?	More than 55% decreased	Around even split perceive increase and decrease	More than 55% increased
R8	National vs ethnic identity	Afrobarometer: Let us suppose that you had to choose between being a South African and being a [R's ethnic group].	<30% more ethnic	30-50% more ethnic	>50% more ethnic
R9	Perceptions about reconciliation	South African Reconciliation Barometer (SARB): Agreement with "South Africans still need reconciliation"	Widespread feeling that reconciliation is occurring/has occurred	Increasing demand that more serious attention to reconciliation is required	Widespread feeling that reconciliation is not possible
R10	Shared sense of history: TRC	SARB: Agree that TRC provided good foundation for reconciliation	Largely shared recognition of TRC across population groups	Divided recognition of TRC across population groups	Widespread feeling that TRC was not useful
R11	Shared sense of history and future: land redistribution	SARB: Do you think land reform is important for the reconciliation process in South Africa	Shared understanding of need for land reform across population and income groups	Divided on need for land reform by population/income groups	Widespread feeling that reconciliation is not possible

## 2019 Indlulamithi Barometer (National Aggregate Scenario Trends)



There are several indicators which are prominent in the scenario narratives but which are not currently included in the Barometer indicators. These include:

- the number and intensity of community protests
- the size and resilience of the middle class
- measures of national and local government responses to urbanisation
- indicators for social and economic adaptations to the fourth industrial revolution
- indicators for quality of (not only access to) services in public health care and education
- distribution of resources per capita in the public and private service provision sectors.

These indicators are not included in this 2019 barometer, either because there is no readily available and validated data on an annual or regular basis, or the data that is available is difficult to interpret clearly in terms of the scenarios. The *Indlulamithi* Barometer will be revised and updated annually, and if ways of measuring these indicators can be developed, they will be added to the barometer.

To generate the Barometer, the number of indicators under each Key Driving Force assigned to each scenario are counted, generating a percentage per scenario for each KDF. For

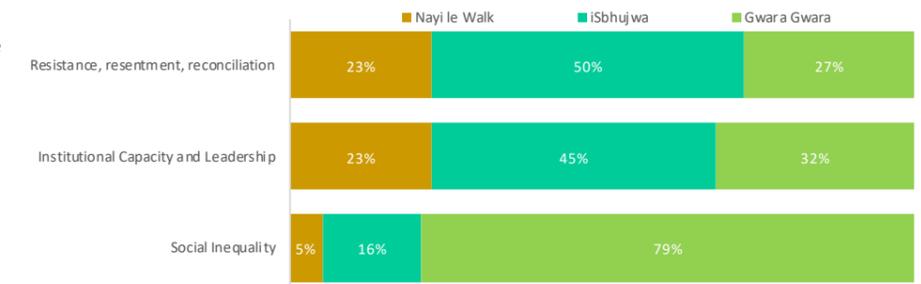
example, 5 of the 22 indicators under the Institutional Capacity and Leadership KDF fall into the Nayi le Walk Scenario, with 10 in iSbhujwa and 7 in Gwara Gwara, leading to the 23%, 45%, 32% distribution for that KDF. The three KDF distributions are then equally weighted to generate the overall aggregate distribution.

The Barometer is shown both as a one dimensional (aggregate) and a three-dimensional (by Key Driving Force) distribution. This is to show the dimensions do not necessarily have the same distribution across scenarios. In 2019, the social inequality KDF distribution is notably more skewed toward Gwara Gwara than the other two KDFs.

### BAROMETER RESULTS 2019

The aggregate 2019 *Indlulamithi* Barometer above shows that South Africa is being ‘pulled’ between the Gwara Gwara and iSbhujwa scenarios. Gwara Gwara-related trends have become slightly weaker since the May 2019 elections. Some indicators point to elements of the Nayi le Walk scenario, but these are in the minority.

## 2019 Indlulamithi Barometer Disaggregated by Key Driving Forces

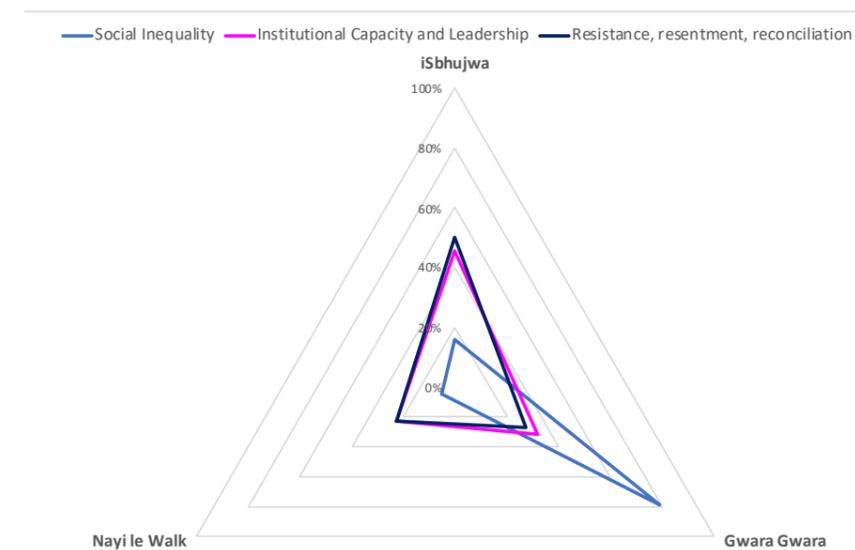


### Next steps

As noted above, the *Indlulamithi* Barometer is a work in progress, designed to be flexible and allow for new or revised indicators to be added without invalidating the comparability of findings from year to year. Plans for future iterations include weighting the indicators by priority and impact as well as generating a more nuanced spatial understanding of the country, given that different provinces, and even different metros, may exist in quite distinct conditions in terms of the scenarios. We therefore intend to develop a pared-down version of the Barometer indicators which can be assessed at Provincial level.

The three-dimensional Barometer provides more information on where these trends are ‘coming from’. It shows that for the Key Driving Forces of Resistance/Resentment/Reconciliation and Institutional Capacity and Leadership, the iSbhujwa Scenario is dominant, but that Gwara Gwara is so strong in the Social Inequality dimension that in the overall Barometer, it outweighs the gains in the other dimensions. It is clear that if South Africa cannot greatly improve our performance in terms of social inequality and basic underlying welfare for the majority of residents, the trajectory out of the worst-case Scenario will not be possible.

Finally, we can look at how the three key driving forces interact with each other in the following graph. It shows the three Scenarios in a spatial representation, which allows us to see in a different way that South Africa is currently balanced between the three scenarios, but with a strong pull towards Gwara Gwara in the social inequality dimension.



In 2019, there is a strong pull towards the Gwara Gwara scenario in the social inequality dimension

While taking a national level, largely top-down view of the condition of the country provides valuable guidance for policy makers and population, we note that the guiding theme of the *Indlulamithi* Scenarios is Social Cohesion. This is something fundamentally experienced and lived at a community level, by residents of the country in their specific local contexts. We are therefore working towards a national, but locally grounded, annual *Indlulamithi* Social Cohesion Survey, which will significantly deepen the Barometer’s ability to capture nuanced shifts in the country’s wellbeing.

# STAKEHOLDER BRIEFINGS

## Co-creating the *Indlulamithi 2030 Scenarios*

Throughout the research and scenario development process, the *Indlulamithi* team sought to consult a broad spectrum of South African role players. Our intention was for the scenarios to be developed through a generally participatory process, that is owned by the widest possible spectrum of South Africans and draws together sectors that might otherwise be at odds. Some of the stakeholders we consulted were:

### Political Parties

COPE  
DA Leader  
EFF  
FF+  
IFP  
SACP  
UDM  
ANC Johannesburg  
ANC NEC Lekgotla  
ANC Western Cape

### Trade Unions

FEDUSA  
NACTU  
SAFTU

### Business

ABSIP Annual Financial Services Sector  
Anglo American CEO Forum  
Anglo American Coal EXCO  
Anglo Platinum  
Banking Association South Africa  
BLSA  
NBI  
Brunswick  
BUSAs  
Business Arts South Africa (BASAs)

Chamber of Mines  
De Beers Group  
De Beers Sightholder Executives (Northern Cape)  
Deloitte  
EXXARO  
Kumba Board  
Kumba ExCo and SIOC Board  
MTN  
Nedbank  
Telkom  
Sasol Executives  
Sibanye Still Waters Board  
Aluwani Capital  
REMGRO  
NACAAM

### Media

Primedia/Lead SA  
SABC  
The Big Debate SA  
Media24  
Tiso Blackstar

### Government, SOEs

City of Johannesburg  
Mandela Bay Development Agency  
Eskom  
National Advisory Council on Innova-

tion (NACI)  
National Planning Commission (NPC)  
The Department of Planning, Monitoring & Evaluation (DPME)  
National School of Government  
Nelson Mandela Bay Development Agency  
NICOC  
Northern Cape Provincial Government  
The Jobs Fund  
Western Cape Provincial Government  
The Speaker of Parliament  
The Chief Justice  
Chief Whips Forum  
The President  
SALSA  
The South African Reserve Bank (SARB)

### Civil Society

Apolostolic Faith Mission (AFM)  
Ahmed Kathrada Foundation  
Harambee  
National Convention of South Africa  
SACC's National Convention of South Africa  
Thabo Mbeki Foundation

### Academic Institutions

Rhodes University  
The Science Forum  
Wits School of Governance

### Multi Stakeholder Briefings

Cape Town  
East London  
Grahamstown

### Other

SA Film Summit  
United Nations (UN)

*Indlulamithi Scenarios 2030* has always been a project of co-creation. Our thinking, research, and creative products have been continuously reworked and reimagined as we have consulted business, civil society and government.

It was through these consultations, for example, that we were encouraged to bolster youth participation in the Scenarios. This deepened our knowledge of youth concerns, flagging questions of human trafficking, health services, intergenerational trauma and TVET education that had until this point been relatively silent in the research.

Interactions with Telkom, Eskom, the mining industry and the banking sector signalled uncertainties surrounding automation, fintech, cybercrime, and the 4th Industrial Revolution more broadly. Amid questions surrounding the future of technology and data access, were those surrounding the future of energy. The impacts and ethical imperatives of climate change for a coal-driven

economy were further emphasised by representatives of the National Planning Commission.

Uncertainties around migration and its politics, which is indeed a global question, came out strongly from academics involved in the Scenarios as well as a number of key government stakeholders. How do we grapple with the realities of changing communities, and competition over the economy, while also crafting a national identity that is inclusive and celebratory of diversity?

Our consultations also rendered more technical input: How do we make sure each of the scenarios is tangibly distinct from the rest? How do we balance, within the scenario storylines, the need to be realistic, and the need to push the public imagination? And finally, how do ensure the country is not too inward-looking? (i.e. paying attention to global phenomena), while also positioning ourselves as actors, rather than reactors, in the global economy?

Civil society engagements raised the need to assert a role for the private sector in bettering public goods; the importance of justice in areas of gender and sexuality. Civil society groups also raised questions about the future of race politics in the country, and particularly the future of non-racialism. Many also highlighted the potential role of religious organisations in driving a project of social cohesion. Government entities were especially concerned about incapacity within our civil service, the extent of government

debt, and the erosion of important public assets like SOEs, educational institutions and so on.

Each of these engagements have, and continue to, inform the shape of the scenarios and the questions we take forward. *Indlulamithi* would like to convey our gratitude to all those who have participated in in shaping the 2030 Scenarios, and all those who will continue to shape its future. We continue to invite collaboration and critique and are regularly taking on new partnerships.

## IMPACT

An important element of the *Indlulamithi Scenarios 2030* project was the desire to make the scenarios accessible to the broader South African public. Therefore, it was necessary to build a digital footprint and form strategic media partnerships. The *Indlulamithi* website ([www.sascenarios2030.co.za](http://www.sascenarios2030.co.za)) was developed to house all our research papers, scenario storylines and facilitation videos for all South Africans who wish to engage with our work. Furthermore, a deliberate social media presence on Twitter, Facebook, YouTube and Instagram was established to update the public about developments in the project but to also widen our consultative process by stimulating strategic conversations online. We also issued a monthly newsletter to all the stakeholders we had briefed, consulted or met during our roadshows.

We received overwhelming support, both from the media and the South African public. *Indlulamithi* started engaging the public towards the end of April 2018. The project deliberately withheld public engagements during the crafting of the scenarios development process in order to initiate face-to-face in-depth discussions with all sectors of South African society to ensure that every contribution was echoed in our following public engagements.

In less than 12 months, with a public presence *Indlulamithi* was mentioned 3490 times on social media, 100 times on online media, 39 times in print media and 53 times in broadcast media.

Our strategic media partnerships with Primedia afforded us top coverage from 702 and Cape Talk. SABC also came out as our second highest news source, with News24 topping the online news source platforms. Other notable media houses that covered our work include ENCA, Business Day TV, *City Press*, *Sowetan*, Kaya FM, Power FM, Gagasi FM.

Twitter was the most engaging platform on social media, followed by Facebook and Instagram.

### Strategic Dialogue 1: Private Sector Foresight

The cross-sectoral dialogue of business leaders took place on 31 January 2019 and focused on the broader role required of business in South Africa to offer the greatest possibility for inclusive and job creating growth. The business leaders were convened to explore the critical questions of policy certainty, investment and job creation, as well as mechanisms for more effective government-business coordination towards such growth.

### Strategic Dialogue 2: Unlocking the Contribution of Civil Society

Two civil society dialogues were held in partnership with GIBS and Business Leadership South Africa (BLSA). The first dialogue which took place on 23 April 2019 convened faith-based organisations and the second dialogue convened cross-sectoral civil society organisations on 24 April 2019.

## Appendix

### BASIC STRUCTURE AND FEATURES OF ADRS'S DYNAMICALLY INTEGRATED MACRO-MICROECONOMIC SIMULATION MODEL OF SOUTH AFRICA (DIMMSIMTM)

#### Asgar Adelzadeh Director & Chief Economic Modeller Applied Development Research Solutions (ADRS)

Over the last 15 years, ADRS has built a suite of 10 proprietary South African economic models which include two core models and eight specialised models. The two distinct core models were built using fundamentally different modelling techniques. The ADRS multi-sector Macroeconomic Model of South Africa (MEMSA) is a large multi-sector macroeconometric model built as a tool for designing, forecasting and conducting impact analyses of macroeconomic and industry policy scenarios. Its construction utilised time-series data and analysis. The ADRS South African Tax and Transfer Model (SATTSIM) is a microsimulation model built using household-level survey data. It is a tool for designing, forecasting and conducting impact analyses of policies related to direct and indirect taxes, social security, public works, poverty and inequality. DIMMSIM integrates MEMSA and SATTSIM to capture the dynamic interactions between the macroeconomic performance and the poverty and income distribution at household level. Following is a brief non-technical introduction to the DIMMSIM and its features.

#### DIMMSIM's Macroeconomic Component

The ADRS MEMSA is one of the two modules of DIMMSIM. It allows design and analyses of macroeconomics and industrial policies and produces pro-

jections of the paths of key indicators related to the economy and its economic sectors under various domestic and international contexts and policy options.

MEMSA is a bottom-up model with more than 3200 equations that capture the structure of the National Income and Product Account (NIPA) at sector and aggregate levels and produces projections that are consistent with various national accounting identities in nominal and real terms. The model includes more than 400 estimated equations that analytically and empirically capture the behaviour of the private and household sectors as part of capturing the working and dynamics of the economy from its production, expenditure and income perspectives. MEMSA's analytical approach is in the tradition of pluralism of heterodox economics and uses modern time-series specification and estimation methods to estimate the parameters of the model's behavioural equations. MEMSA's equation system can be broken down into a number of blocks that include:

- The Final Demand Block encompasses 769 equations. It includes sets of estimated equations that capture the behaviour of the private sector as it relates to sectoral-level investment, exports and imports in 45 sectors; households in terms of expenditure on 27 categories of consumption goods and services; and the public sector in terms of final consumption expenditure and investment. The

expenditure block of equations therefore produces projections of various components of aggregate demand in the economy that facilitate the model's projection of real and nominal GDP from the expenditure side.

- The Production Block includes 712 equations that represent sector and aggregate production-related activities in the economy. It includes sets of equations that produce projections of sector outputs, potential outputs, capital stock and capital productivity, all in nominal and real terms. Private sector decisions on how much to produce in various sectors of the economy are captured through 40 estimated equations that link the decisions to various demand, supply and price factors in the economy. Therefore, the equations of the production block generate consistent projections of nominal and real values for sector and aggregate outputs, namely value added at basic prices. The aggregate of sectoral value added at basic prices plus the net taxes and subsidies on products provide the model's annual projections of GDP from the production side.
- The Price and Wage Block is comprised of 413 equations that include time-series estimated behavioural equations for sector output prices (45), consumer prices (30) and investment prices (45). It also includes equations for sector import and export prices,

sector- and economy-wide inflation rates and 45 estimated equations for the sector-level real wage rate (i.e. average remuneration rates) and 45 calculated sectoral-level nominal wage rates.

- The Labour Market Block is comprised of 186 equations that include 40 estimated equations that capture factors that determine short- and long-term demand for sector-level employment. In addition, this block includes equations for sectoral labour productivity, labour force, unemployment rate and other labour market indicators.

- The Income, Expenditure and Savings Block includes 569 equations that capture a detailed breakdown of income, expenditure and savings of households, incorporated businesses and government, in both nominal and real terms. A combination of variables from this block, the labour market block, the price and wage block and the production block provides forecasts of the real and nominal GDP from the income side.

- The Financial Block embodies 88 equations for indicators related to the financial and monetary side of the economy, such as the interest rate, exchange rates, money supply, credit extensions, household financial assets and liabilities, and foreign direct and portfolio investments. The financial block variables are especially important determinants of variables in other equation blocks and include

policy variables and time-series estimated variables.

- The National Account Block incorporates more than 470 equations. This block of equations is responsible for ensuring consistency and enforcing NIPA relationships within the economic system captured by the model. For example, it ensures that in the model, the calculation of GDP, both real and nominal, from the income, production and expenditure sides are comprised of relevant NIPA components and are consistent with each other at aggregate and sector levels, in nominal and real terms

MEMSA's list of exogenous variables includes a number of domestic and international variables. Among exogenous inputs to the model are:

- General government and public corporation investment
- Monetary and fiscal policy rules
- Government current spending
- Tax and subsidy rates
- Population
- Oil prices
- Gold prices
- Annual growth rates of world and regional import demands
- U.S. interest and inflation rates

DIMMSIM's flowchart and economic sectors are presented in Diagrams 1 and 2.

The macroeconomic module of DIMMSIM generates annual forecasts of a relatively large number of aggregates and sector-level, nominal and real

variables and indicators. It includes indicators related to production, labour market, prices, wages, financial variables and incomes and expenditures of households, business and government. The model projections are consistent across aggregation levels, both in nominal and real terms. The model's key outputs include:

- Projection of key macroeconomic indicators

ulation model of individuals and households to capture the interactions between macroeconomics, industrial structure, household poverty and income distribution in South Africa. The modelling principle employed to build the South African household model is the microsimulation technique, whose application to socio-economic modelling was pioneered by Guy Orcutt in the United States in the

terms of family units because it relates closely to the definition of the financial unit used by many of the government tax and transfer programmes. The model's database includes 125,830 individuals, making up 61,684 families or 29,800 households. The database includes weights for individuals, families and households, which are used to translate each of the three samples to their corresponding populations

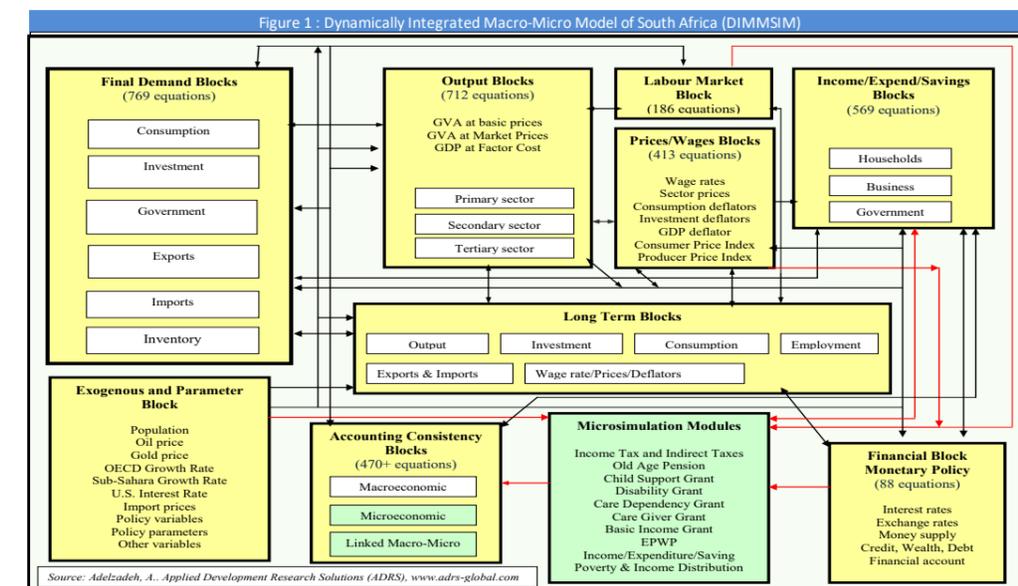
for a given year. Each unit record includes more than 400 columns of information for each individual in the family – including demographic, labour force, marital status, housing, income and expenditure information. Diagram 4 presents the flow chart of the model.

The South African microsimulation model includes three modules for government's taxation policies (i.e. personal income tax,

excise tax and value-added tax), six modules for transfer programmes (i.e. old age grant, child support, disability grant, care dependency grant, caregiver support and the basic income grant), a public works module for government's Expanded Public Works Programme (EPWP) and two modules for poverty and inequality.

### Interactions Among Modules of DIMMSIM

The model establishes two-way interactions between its macro and micro components such that (a) changes in macroeconomic variables (e.g. changes in prices, employment, wage rates, benefits and transfers) influence welfare of individuals and families; and



- Projection of demand for employment (expansion demand) for 45 sectors of the economy
- Projection of output, investment, exports, imports, wages and prices for 45 economic sectors
- Financial indicators such as the interest rate, credit extensions and money supply
- Trade indicators
- Income and expenditure indicators
- Labour market indicators
- Production indicators
- Demand (expenditure) indicators

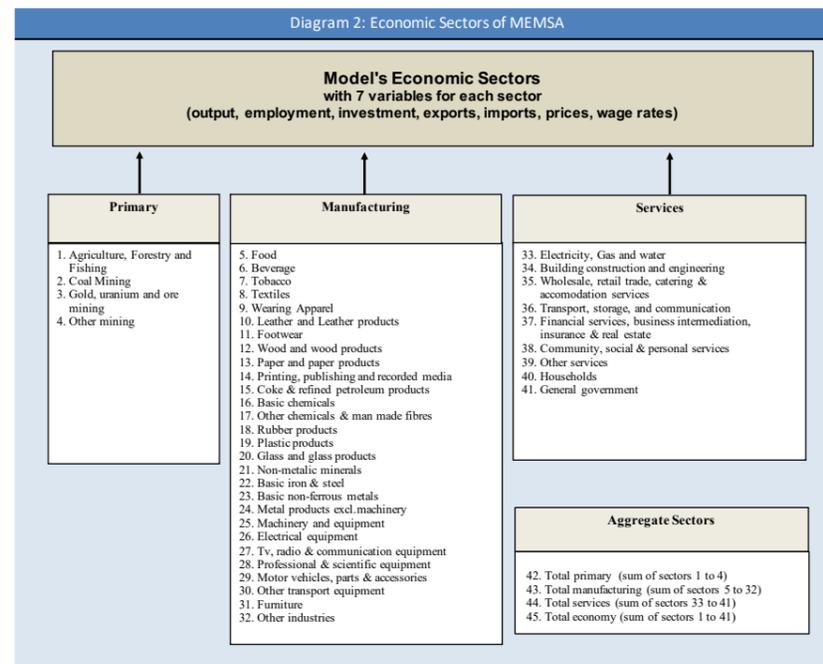
### DIMMSIM's Microsimulation Component

In DIMMSIM, the macroeconomic module is linked to a full microsim-

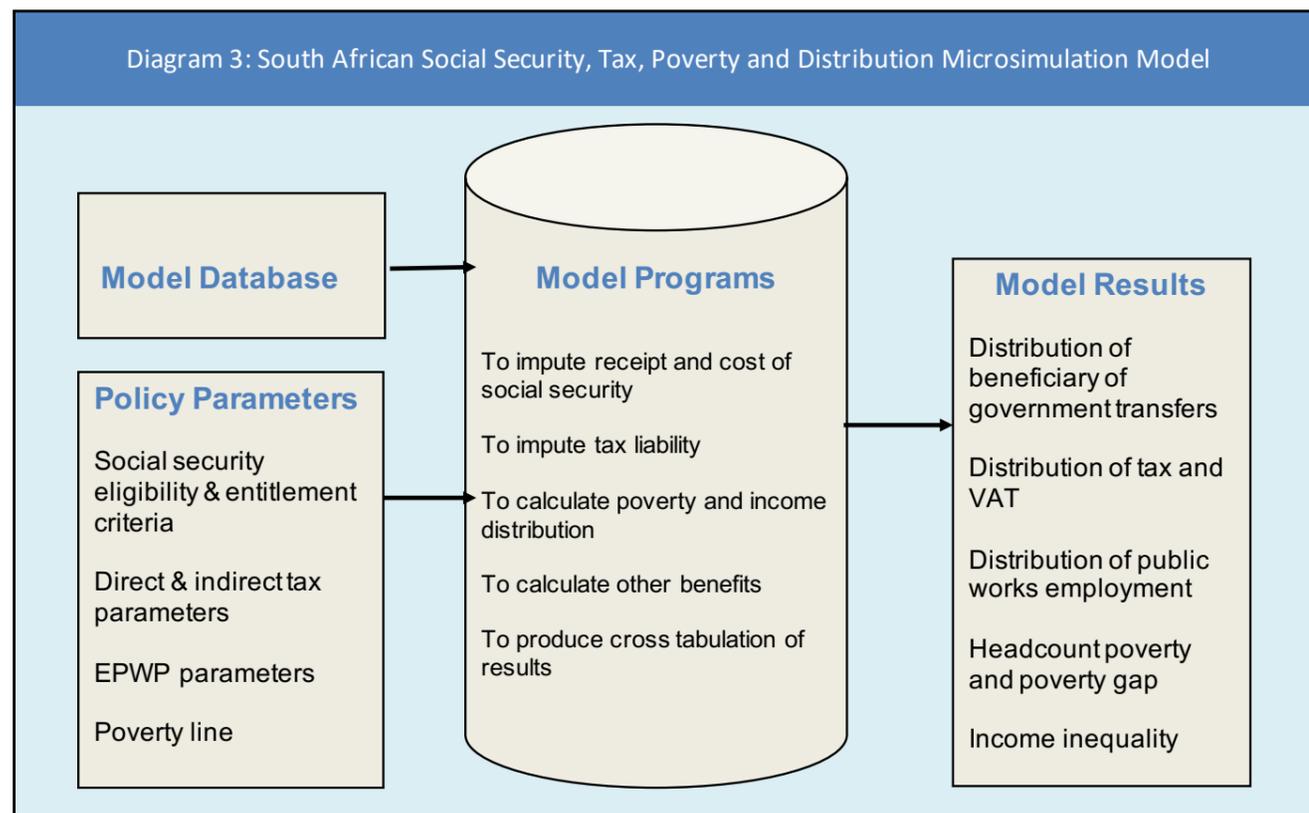
ulate 50s and early 60s. The South African microsimulation model, originally built as a static model (Adelzadeh, 2001), was subsequently expanded and complemented with dynamic properties to capture the interactions between the macroeconomy and the household sector.

The main components of the model are its database and its tax and social policy modules. The South African model uses a micro-database of individuals and households taken from the official Household Survey, Income Expenditure Surveys, the Census and quarterly Labour Force Surveys, which are the main sources of countrywide economic and demographic microdata. The model's database is prepared in

(b) changes in household-level economic conditions (e.g. poverty, inequality, consumption, taxes, eligibility for social grant) influence macroeconomic outcomes. The Gauss-Seidel's iterative method is mainly used to solve the overall system. The procedure runs the two models for a number of interactions, allowing interactions between the macro and micro parts of the model before it converges and generates the final results for each year of the forecast period. This ensures that each period's results reflect convergence of the macroeconomic variables and household-level variables at the aggregate level. Therefore, the two models are dynamically integrated and generate time-based results that reflect the actual process of policymaking and evaluation.



For more information on DIMMSIM, visit ADRS website or send you enquires to adelzadeh@adrs-global.com.



# LEADERSHIP GROUP

The *Indlulamithi* Leadership Group draws together **leaders from various sectors** in society. It serves **as a sounding board** for the project, providing strategic direction and insight.



Frans Baleni



Reuel Khoza



Malusi Mpumwana



Cas Coovadia



Jabu Mabuza



Mxolisi Sizo Nkosi



Jan Durand



Vuyokazi Mahlati



Ayanda Ntsaluba



Tasneem Essop



Phil Mjwara



Febe Potgieter-Gqubule



Nicola Galombik



Bonang Mohale



Xhanti Payi



Yvonne Mokgoro



Mamphela Ramphele



Thabi Leoka

## STEERING COMMITTEE

The *Indlulamithi* Steering Committee **handles the day-to-day management** of the project, coordinates research and resource mobilisation, and approves the project agenda and documentation.



Yacoob Abba  
Omar



Koosum Kalyan



Barend  
Petersen



Somadoda Fikeni



Pali Lehohla



Andile  
Sangqu



Harry  
Dugmore



Beth Vale



Uwais  
Razack



Barry Gilder



Joel  
Netshitenzhe



Siphokazi  
Sigenu



Xolelwa Kashe-  
Katiya



Vuma Ngcobo

The *Indlulamithi* project has drawn on the in-house research capacity of the Mapungubwe Institute for Strategic Reflection (MISTRA) and also commissioned a range of research papers from experts from universities and NGOs. A research conference was held in early March 2018.

## RESEARCHERS

Tara Polzer Ngwato (Social Survey)  
Asghar Adelzadeh (ADRS)  
Hassen Mohamed (DPME)  
Alan Hirsch (UCT)  
Tasneem Essop (NPC)  
Lumkile Mondi (WITS)  
Andrew Faull (UCT)  
Wendy Ngoma (Angle Tide Business Solutions)  
Lindiwe Tshuma (AIMSSEC)  
Rapelang Rabana (Telkom)  
Morne Mostert (Futures School)  
Centre for Development Enterprise (CDE)  
Rob Urquhart (Harambee)  
Haroon Borat (UCT)  
Phil Mjwara (DST)  
Mbongiseni Buthelezi (PARI)  
Glenda Daniels (WITS)  
Christi van der Westhuizen (UP)  
Ivan Turok (HSRC)  
Mamphela Ramphele  
Vasu Gounden (ACCORD)  
Marike Keller (Sonke Gender Justice)  
Marcel van der Watt (UNISA)  
Beth Vale  
Themba Moleketi  
Dan Motaung  
Jeffrey Sehume  
David Maimela  
Patience Salane  
Wandile Ngcaweni  
Duduetsang Mokoele  
Zamanzima Mazibuko  
Anelile Gibixego  
Nqobile Mangena  
Dzunisani Mathonsi  
Towela Ng'ambi  
Xolelwa Kashe-Katiya  
Siphokazi Sigenu  
Temoso Mashile  
Terry Shakinovsky

The *Indlulamithi* Core Participants Group comprises a wide range of experts and influencers from the private, public and non-profit sectors, including civil society structures, political parties, trade unions and individuals from various professions. The Core Participants have taken part in workshops, discussions and detailed analysis of research findings in order to help shape the scenarios narratives.

## CORE PARTICIPANTS AND INTERVIEWEES

Adrian Enthoven  
Akona Ngcuka  
Anton Alberts  
Asafika Mbangata  
Asghar Adelzadeh  
Bheki Khumalo  
Bheki Ntshalintshali  
Boniswa Pezisa  
Brian Whittaker  
Busisiwe Mavuso  
Chris van der Merwe  
Colette Clark  
David Bruce  
Flip Buys  
Frank Nxumalo  
Gavin Davis  
Greg Mills  
Haroon Borat  
Itumelang Sole  
Johannes Möller  
Joseph Maqekeni  
Karl Gostner  
Kennedy Bungane  
Lindiwe Tshuma  
Lumkile Mondli  
Maggie Govender  
Marcel van der Watt  
Marius Oosthuizen  
Mark Lamberti

Martin Solomon  
Maurice Radebe  
Michelle Constant  
Mike Schalit  
Mkhuleko Hlengwa  
Mpumelelo Mkhabela  
Mpumi Madisa  
Mzila Mthenjane  
Neal Froneman  
Nicky Newton-King  
Nicola Kleyn  
Nompumelelo Runji  
Norman Mbazima  
Phindile Dyani  
Portia Derby  
Pravishini Govender  
Rick Menell  
Siya Ngcobo  
Siyabonga Mahlangu  
Thabisile Buthelezi  
Thandi Matthews  
Theuns Eloff  
Tracey Achterberg  
Tshediso Matona  
Tshilidzi Marwala  
Xolile George  
Yusuf Randerer-Rees  
Zamani Saul  
Zwelinzima Vavi

## SPONSORS AND SUPPORTERS



## PHOTO CREDITS

Front cover: ranplett (Stock photo ID: 157473646)

Page 13: fivepointsix (Stock photo ID: 1916074996)

Page 14: Siphwe Sibeko/Reuters

Page 25: CICA South Africa

Page 33: Tebogo Malope, still from video <https://www.youtube.com/watch?v=iZIME4mqpyo>

Page 36: Rawpixel (Stock photo ID: 524945067)

Page 41: CORBIS South China Morning Post

Muntu Vilakazi (various)



SOUTH AFRICA  
SCENARIOS 2030

[HTTP://SASCENARIOS2030.CO.ZA](http://sasenarios2030.co.za)

Published by  
Indlulamithi South Africa Scenarios 2030 Trust  
(June 2019)

[info@sasenarios2030.co.za](mailto:info@sasenarios2030.co.za)