

State of the nation: Insights on South African society, economy and politics

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Key findings

- *A trust deficit in public institutions is hampering the state's efforts to respond to the COVID-19 pandemic. With the country having been in perennial decline since the mid-2000s, the pandemic represents the state's biggest resilience test to date — its handling of the crisis will either accelerate or reverse this decline.*
- *Punitive enforcement of the national lockdown is likely to have negatively influenced citizens' trust in the state.*
- *Social cohesion is weak, and this detracts from efforts to create social solidarity amidst the crisis. According to the South African Reconciliation Barometer (SARB):*
 - *A majority of South Africans generally distrust people from different backgrounds; and*
 - *Xenophobic attitudes are prevalent among South Africans of all demographics.*
- *Economic desperation is on the rise. The impact of incoherent economic policies and poor oversight in the course of the past two-and-a-half decades has made millions of South Africans extremely vulnerable to the material impact of the COVID-19 pandemic.*
- *Rising, and unsustainable, public-debt levels will, in 2021, make it increasingly difficult for government to address the growing demands for public goods and services by a distressed society.*
- *The pandemic's massive disruption of existing ways of doing things could have beneficial consequences for collaboration between key public, private and civic constituencies in the shaping of economic and social policy.*
- *The South African body politic faces an oversight crisis. Neither party politics nor institutional checks and balances have been able to stem the tide of corruption and mismanagement within the South African state. The work of commissions of inquiry, such as the Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector including Organs of State (the Zondo Commission), is important but constitutes ex post facto responses to weak deterrence mechanisms within the state. The holding of the 2021 local-government elections in the midst of a pandemic will become a test of both state capacity and the integrity of the South African body politic.*

Introduction

In anticipation of the State of the Nation Address (SONA), the Institute for Justice and Reconciliation (IJR) has produced this succinct policy brief assessing where we are as a nation and the opportunities that we can leverage in the interest of strengthening social cohesion, the body politic and inclusive development. The road ahead will be testing, but, if there is consideration for what is just, we may earn back the gains that have been lost over time.

The people

Core issues

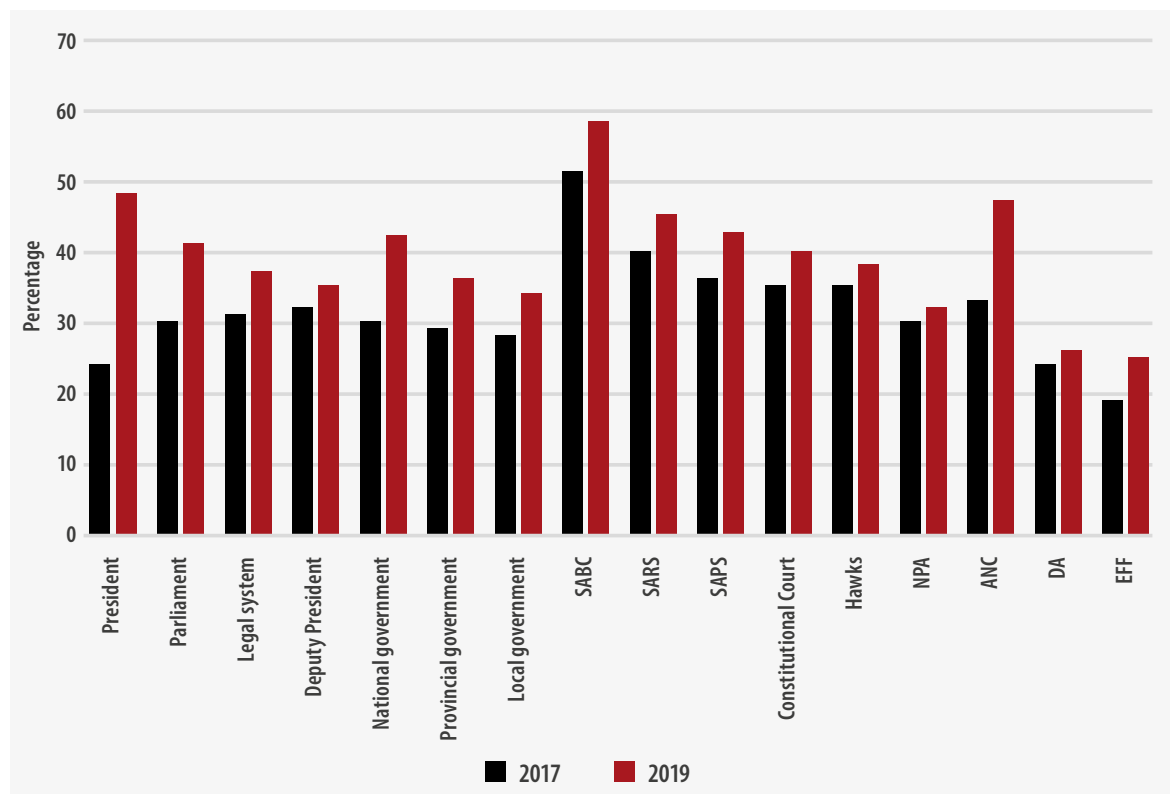
The COVID-19 pandemic has imposed massive changes in behaviour on the entire South African society. In a context of growing uncertainty and anxiety, we can assume that the old sources of distrust have been reinforced and that the challenge regarding the creation of social cohesion will remain substantial. Public-opinion data from the 2019 round of the SARB, a nationally representative survey, indicated that South Africa is a state with profound vertical and horizontal trust deficits, which present a

major obstacle to fostering a more inclusive and cohesive society.¹ The seventeenth round of the survey will be conducted in 2021 and we anticipate that, in the light of historic correlations between weak growth and trust, this tendency is likely to remain unchanged in 2021.

Vertical trust

Conceptual analyses of public trust typically refer to two types: vertical trust between the public and the authorities, and horizontal trust among members of the population themselves.² The former is reflected by the degree of trust the public has in institutions of the state and elected representatives. While South Africa is often considered one of the more successful examples of a democratic transition in Africa, the success of the transition has been compromised by decades of poor government service provision and, more recently, years of systemic corruption within the state.³ Figure 1 shows the percentage of South Africans who have 'quite a lot' or 'a great deal' of trust in various public institutions. Most South Africans do not have a high degree of trust in state institutions, despite a marked improvement in opinion between 2017 and 2019.

Figure 1: Percentage of South Africans having 'quite a lot' and 'a great deal' of trust in public institutions (SARB 2017–19)



Horizontal trust

‘Horizontal trust’ refers to the degree of trust that individuals or groups have in other sections of the population. Considering South Africa’s relatively recent history of strict racial and ethnic segregation, it could be assumed that respondents’ trust in individuals of different population groups might be low. But how much has changed in the nearly three decades of democratic governance? Figure 2 shows that respondents are most trusting of other individuals who are closest to them (e.g. relatives; neighbours) and more distrusting of individuals from different backgrounds (e.g. other race groups; other language groups). Foreign nationals, particularly from other African countries, are identified by a majority of South Africans as the least trusted group in society.

South Africa’s trust deficit is a product of both its long history of segregation and a more recent history of disenchantment with democratic institutions. Vertical trust is relatively weak, despite a marked improvement between 2017 and 2019, and horizontal trust is limited to closed groups, with respondents reporting high levels of distrust in foreign nationals.

Our research has shown that social interaction – and thus opportunities for social integration – occurs

primarily in public spaces, such as commercial and trading environments as well as educational institutions.⁴ Private, intimate spaces, such as homes and places of religious worship largely remain segregated. Consequently, the closing down of public spaces has also had implications for social cohesion.

The events of 2020

When the South African government introduced a national lockdown to curb the spread of COVID-19 in 2020, it changed the country’s social landscape overnight. The declaration of a state of disaster restricted movement, gatherings and commercial activity, and conferred sweeping powers upon the country’s security agencies to enforce the said regulations.⁵ The enforcement mandate has been interpreted quite literally, and, in several instances, the uncompromising – and sometimes tone-deaf – responses of the South African Police Service (SAPS) and the army may have harmed the government’s attempts to project an image of a caring state operating under desperate circumstances. In the course of the national lockdown, pensioners waiting in queues for government payments have been dispersed with water cannons because of their failure to adhere to social-distancing rules, and beach-goers have been

Figure 2: How much do South Africans trust various groups? (SARB 2019)

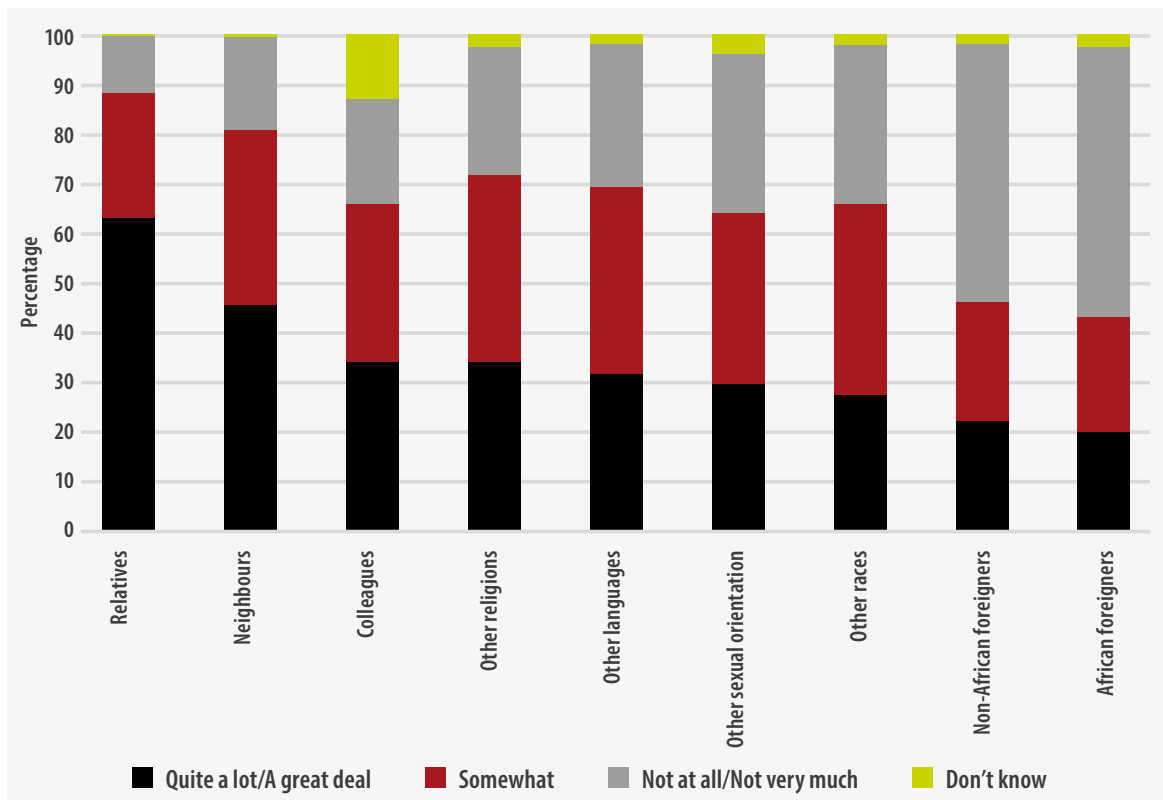
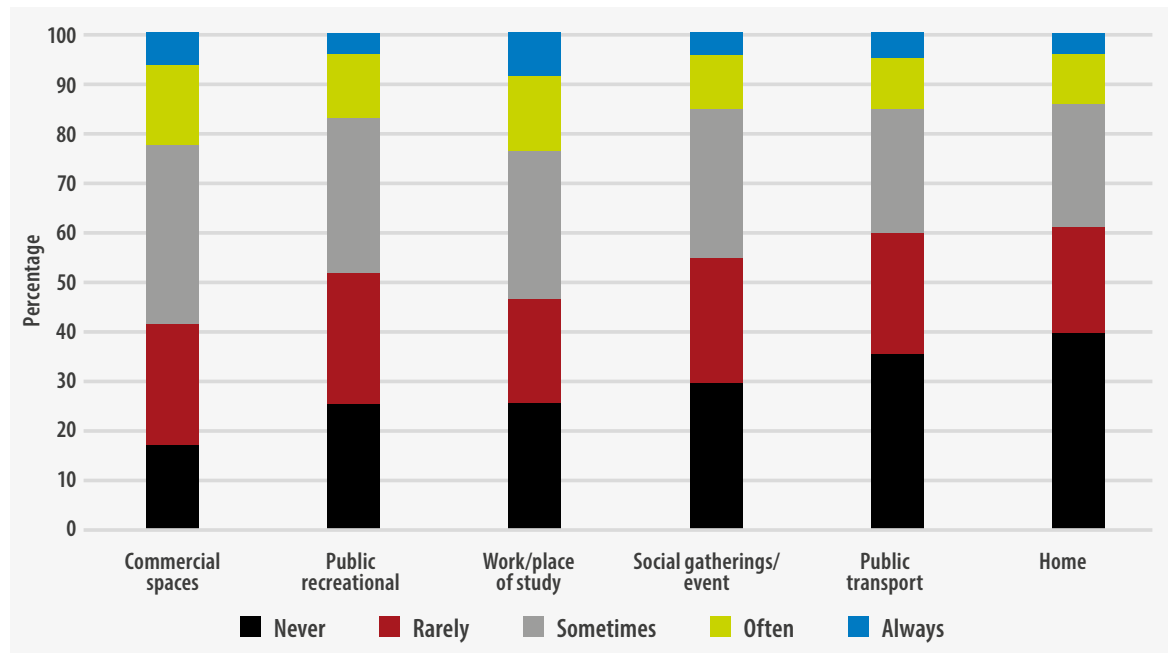


Figure 3: Frequency of interracial contact in various spaces (SARB 2019)



arrested for setting foot on the country’s beaches. At the time of writing in February 2021, over 200 000 people have been charged for lockdown-related infractions.⁶ Data from the 2019 SARB survey suggests that more than half of South Africans had little trust in the police before the pandemic (Figure 1). While the police have been instrumental in combatting the spread of the virus over the past year, bad publicity such as that mentioned above may have resulted in further declines in trust levels.

Accessible public spaces have been critical for social cohesion in a society that, in many other instances, remains largely segregated. In the light of the different levels of national lockdown and the health recommendations regarding physical distancing, it can be assumed that social cohesion may have become a casualty of the pandemic.

Our assessment for 2021

South African society was marked by relatively low levels of public trust prior to the pandemic. The national lockdown is likely to have exacerbated levels of distrust in certain public institutions or, at least, minimised spaces for cross-cultural contact. However, levels of trust existing in society are dynamic and can be restored. This would require that the state provide more efficient services in a transparent manner, without resorting to punitive measures to enforce restrictions, and that spaces for individuals and groups to mix with another, while adhering to social distancing, be facilitated. Importantly, to prevent public distrust from

manifesting in instances of conflict, public officials must be held accountable for promoting divisive rhetoric, particularly xenophobic sentiments.

The economy

Core issues

At the time of South Africa’s political transition in 1994, it was clear that the major challenge of the post-apartheid state would be to ensure a more just distribution of resources among the people of South Africa. Faced with acutely racialised patterns of poverty, and income and access inequality, the measure of such state’s success was always going to be the extent to which it would be able to address deeply structural challenges. While this mandate required a redistribution of resources, as well as preferential access to previously denied opportunities, it also demanded the creation of a resilient economy which offered agency and opportunity to all that sought to participate in its activities. While some gains have been made in terms of redistribution and access, ours is still a fragile economy, with vulnerability still having a strong racial character.

Since 1994, the ruling African National Congress (ANC) has stood at the centre of efforts to address apartheid’s economic legacy. Yet, policy incoherence, weak oversight institutions, and maladministration, particularly of key state-owned enterprises (SOEs), have resulted in a widening chasm between what is required of the state and what it can reasonably offer.

Table 1: Progress towards NDP goals⁷

	2000	2005	2010	2015	2020	NDP 2030 goal
GDP growth	4.2%	5.3%	3%	1.2%	-7.2%	5.4%
Investment as a share of GDP	16.4%	18.3%	19.5%	20.9%	13.2%	30%
Unemployment rate	23%	25%	25%	25%	37%	6%

Source: World Economic Outlook; National Development Plan (NDP) 2030

While factionalism may have stifled boldness in terms of policy within the ANC, a lack of alignment and common purpose between it and other stakeholders further slowed down the process of finding solutions to intractable developmental challenges. A combination of ideological dogmatism and a lack of trust served as an impediment to the search for inclusive and sustainable strategies regarding long-term growth. In the light of this, the country's two major challenges within the economic sphere continue to reside in the creation of a social pact between the major stakeholders, and the development of a capable and accountable state to implement and execute the developmental consensus that may emanate from such a pact.

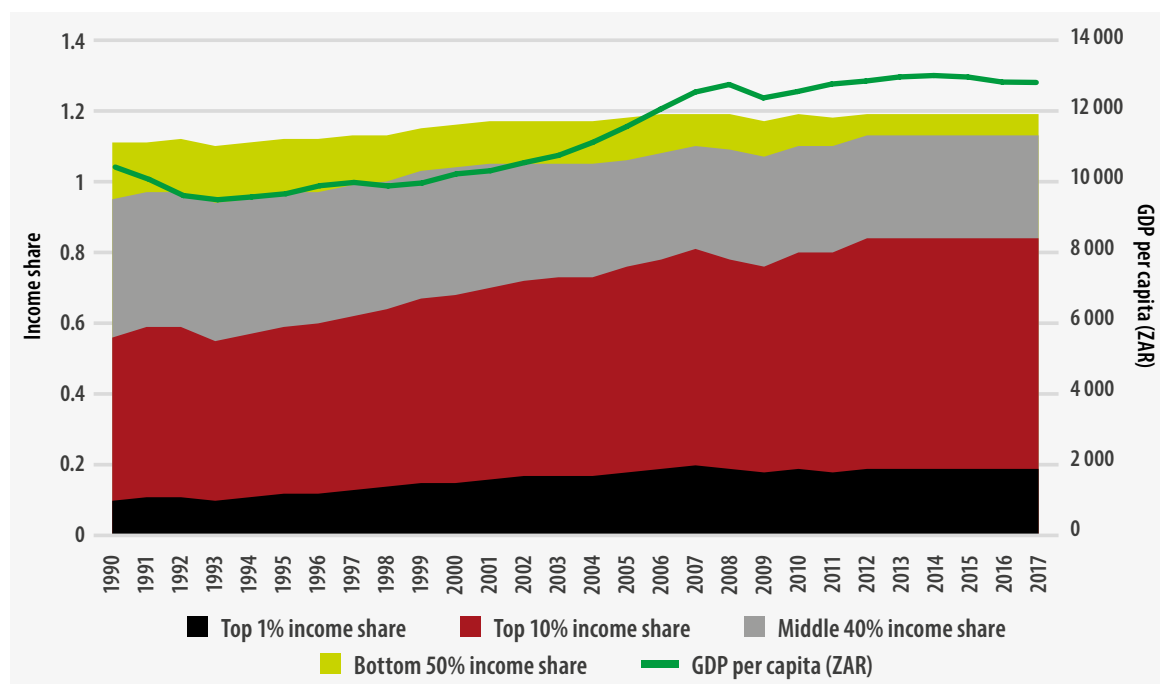
However, inequalities have persisted and stand as the greatest division in our society.⁸ Despite rising gross domestic product (GDP) per capita over time, income inequality has deepened as the top 10% of

income earners encroach on the share of income captured by the remaining 90% of the population. These inequalities underscore the depth of development challenges that necessitate a more just distribution of resources.

What happened in 2020?

The South African government's initial response to the pandemic was that it would seek to protect both lives and livelihoods. While the initial hard lockdown may have gone a long way in achieving the former, the economic consequences of doing so were devastating. Faced with one of the strictest lockdowns, the South African economy ground to a halt. Essential services were permitted without initial consideration of the country's informal economy. This error highlighted a significant dependence on the less-considered informal economy and its role in maintaining food-supply chains for millions. By the

Figure 4: Income inequality and GDP per capita



Source: World Inequality Database (for income inequality) and World Bank (for GDP per capita)

end of 2020, the economy had contracted by –7,2%, causing unemployment to soar to 37% (Table 1).

In its immediate response to the pandemic, the government recognised the importance of providing assistance for the most vulnerable and used its cash-grants scheme to get assistance to where it was most needed. The R500 billion stimulus plan announced in 2020 expanded the social safety net through deepening and widening the social-grants scheme, and also provided small, medium and micro enterprises (SMMEs) with liquidity.

Unfortunately, administrative setbacks and the exposure of politicians for not adhering to tender procedures undermined the stimulus package. Furthermore, the state lacked the bureaucratic strength and political integrity to adequately support South Africans at a time characterised by a growing sense of economic insecurity and depleting agency.

SOEs have also come under intensified public pressure to undergo reforms. The year 2020 started with Eskom appointing a new chief executive officer (CEO). Then, the political protection of the electricity sector showed its first cracks with President Ramaphosa assuring the public that reforming the electricity sector was a priority and announcing the upscaling of regulated private production in the 2020 SONA.

Yet, Eskom and South African Airways (SAA) continued to burden the state as regards resource requirements, and, by the end of 2020, SAA had received a bailout while budget cuts were announced in respect of other public goods.

The New Economic Recovery Plan (NERP) marks government's core economic-policy response to the impact of the COVID-19 pandemic. At its core, the plan envisages a much more central role for the state in unlocking opportunity and stimulating growth in particular industries. Critically, in the light of the disruption of global supply chains as a result of the pandemic, it prioritises self-sufficiency in respect of the availability of critical products and services.

The NERP is predicated on an anticipated rise in poverty and inequality, which necessitates a response equal to the magnitude of the devastation. As mentioned, it posits localisation, beneficiation and support for SMMEs as a means to create jobs and alleviate material deprivation. Human capital, particularly among the youth (who face a long-term

unemployment crisis), is earmarked for greater investment.

Finding fiscal space amid uncertainty about the impact of the pandemic and possible further credit downgrades will be a critical challenge for the implementation of the NERP. The gloomy picture of the country's finances, as depicted in the 2020 Medium-Term Budget Policy Statement (MTBPS), suggests that government's room to manoeuvre is constrained. Implementation of the NERP requires increased investment. The conclusions that we can draw from the MTBPS is that there is not much room to do this. As 2020 drew to a close, it became clear that growing fiscal demands on the state were beginning to exceed the state's capacity to sustain its public goods.

Our assessment

Amid economic devastation and the resultant uncertainty that it created, the country requires a responsive, capable state. The crisis that we find ourselves in has made it abundantly clear that, in spite of the best efforts and sacrifices of many committed public officials, our state was ill-prepared for a crisis of this nature. As the country entered the pandemic, it did so in a context of policy incoherence and institutions that had been weakened by several years of corruption and maladministration.

If leveraged in the right way, this crisis moment can, however, be turned into a moment of real opportunity. In the light of the state's resource constraints, improved oversight measures could result in greater efficiency with respect to public-finance expenditure. The limited range of options could, in addition, serve to focus minds and accelerate the process of finding the up-to-now elusive developmental consensus, or social pact, between key role players in the economy. In terms of the state's relationship with society, the right kind of support by government for vulnerable South Africans can result in a more resilient society.

These forces work together to create a feedback loop that shifts the character of state from being an unsustainable, debt-creating entity to one that is more efficient and enabling. There are several considerations that help build this feedback loop.

1. First, investing in low-input, high-output projects is necessary. Spending must be channelled into projects that grow the economy in a lasting, equitable way.

2. Secondly, meaningful partnerships with the private sector must be leveraged, and the agreement on the African Continental Free Trade Area (AfCFTA) must be successfully implemented. In addition, securing early gains that promote information-sharing, infrastructure development, and opportunities to advance human development have the potential to reset the inclusive-growth agenda for the country.
3. Thirdly, a commodity super-cycle, as anticipated by experts, is an opportunity for the state to prove its intent of building an inclusive economy. The 20th-century commodity boom resulted in rent-seeking behaviour on the part of political and business elites – a game that South Africans cannot afford in 2021. The proceeds of a potential commodity boom over the next decade is an opportune deliverance which ought to be directed towards bringing the country closer to its NDP goals.
4. Fourthly, as regards vaccines, will the state incur more debt to purchase vaccines? Not all debt is bad. The idea is to incur debt to fund programmes that will boost economic growth. Although debt is growing more unsustainable, the way to grow out of debt is to have a vibrant, booming economy with people who are healthy and industries that can grow. Government spending of this nature is one such example of a programme directed at enabling human development and access, thereby setting off a feedback loop of not only growth, but also inclusive growth.

Politics

The core issues

The dominant influence of the ANC was a great attribute for South Africa at the time of its peaceful transition in 1994 from an apartheid state to a representative democracy. For the implementation of a far-reaching transformation programme of this nature, which involved the reconciliation of a deeply divided society, the country required a strong political entity with substantial political and social capital. In the absence of horizontal trust between citizens, such a strong entity was required to instil vertical trust between state and society. The ANC as a party, but also as a liberation movement, was able to play this critical role.

Today, however, one of the most pressing issues facing the country's body politic is the extent to which the interests and fortunes of party and state have become intertwined, rendering the latter vulnerable to

the machinations of the former. This has had implications for the quality of governance oversight and the execution of policy. As has been argued in the preceding brief on the economy, consistency within the realm of the direction and execution of macroeconomic policy has become a casualty of such factionalism, with far-reaching consequences for the state's ability to create a resilient and inclusive society. The efficacy, and indeed the stability, of governance processes has, therefore, become a function of party factionalism, which, as a result of factional deployments, ripples through all spheres of governance. The combined impression left by several testimonies before the Zondo Commission suggests that some in the ruling party view the organs of the state as vehicles to promote sectional interests at the expense of the greater national good. This weakness in the configuration of the country's party politics is exacerbated by the absence of a strong political opposition with the ability to attract a sizable proportion of the national vote. In the light of this entanglement of party and state, and the vested interests that control of the latter's infrastructure creates, the state is rendered highly vulnerable in the long term.

The events of 2020

The state's response to the COVID-19 crisis in 2020 has once again revealed the extent of this vulnerability. Amid rising levels of human deprivation and growing urgency for concrete leadership and policy interventions, the ANC once more found itself entangled in the midst of a brutal struggle for factional dominance at the expense of the South African citizenry. While expected to provide national leadership in the course of the most significant threats to the well-being of the South African nation, President Ramaphosa also has to look over his shoulder to ensure that his actions are not undermined by those within his party that seek his demise. This has given rise to cynicism among ordinary South Africans, who, with increasing frequency, view decisions by particular government ministers as being influenced by the factional party rather than national interests. This has had longer-term consequences for the social capital of the ruling party, but, by extension, also the state. In its absence, compliance with laws, but particularly also regulations relating to combatting the COVID-19 pandemic, has become increasingly difficult to enforce; and, without voluntary compliance, the state may increasingly feel the need to enforce its regulations by means of heavy-handed methods similar to those mentioned earlier.

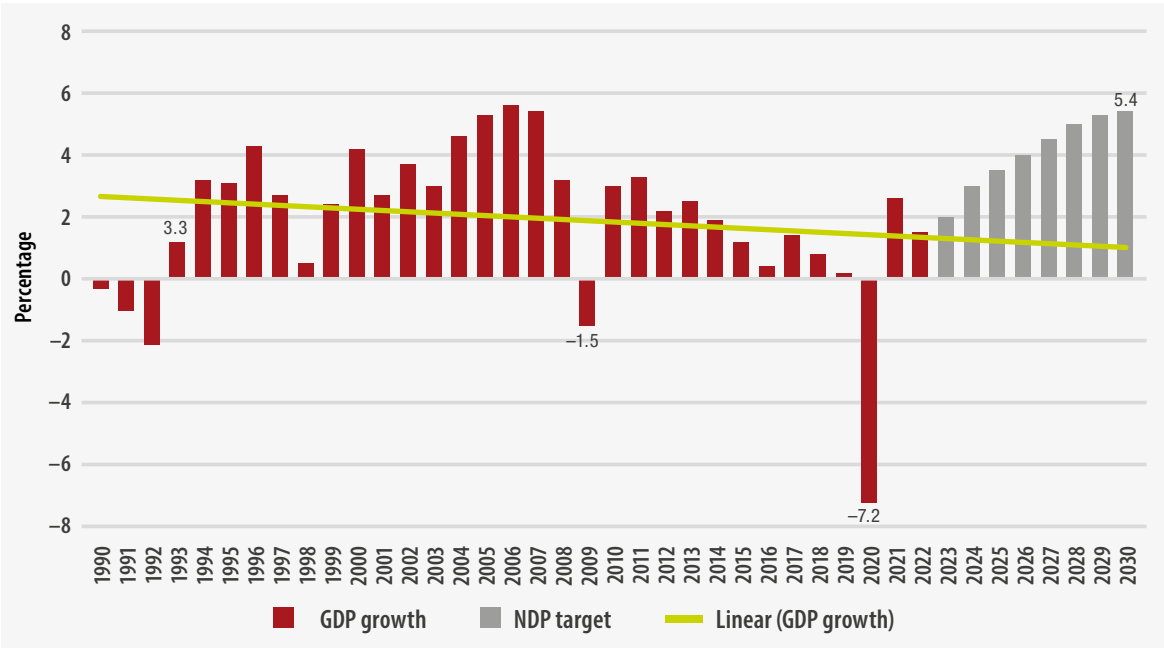
Our assessment

There is a critical need for the restoration of trust in South Africa's democratic system. The COVID-19 pandemic has revealed the extent to which the country has been rendered vulnerable by the blurring of the interests of the ruling party and the state. It has also underlined the urgency regarding the reform of the country's oversight institutions that are meant to provide checks and balances in respect of state power. Such institutions exist but have proved to be ineffective against the onslaught of those that have sought to appropriate the state for themselves at the massive expense of citizens. While our independent judiciary has served as an effective check on power, the courts ought to be the last resort where social justice is concerned. As it is, they are being overburdened as a result of the systemic weakness of the rest of the governance system.

In the light of this, one of our government's best long-term investments in the coming years may be to invest in those institutions that reduce the state's vulnerability to sectional interests. Compared with big infrastructure spend, the costs may be minimal but the benefits exponential. The Zondo Commission is currently dealing with the consequences of oversight institutions that were too weak, too underfunded, and, most importantly, too politically pliant to resist the corrosion that now threatens the legitimacy of the state. We also know that, in spite of a new, committed leadership, the National Prosecuting Authority (NPA), under the leadership of Adv. Shamila Batohi, may only be able to prosecute the tip of the proverbial iceberg in the wake of the Commission's work. Consequently, the testimonies before the Commission should be a cautionary tale not to repeat very costly mistakes in terms of both lives and livelihoods.

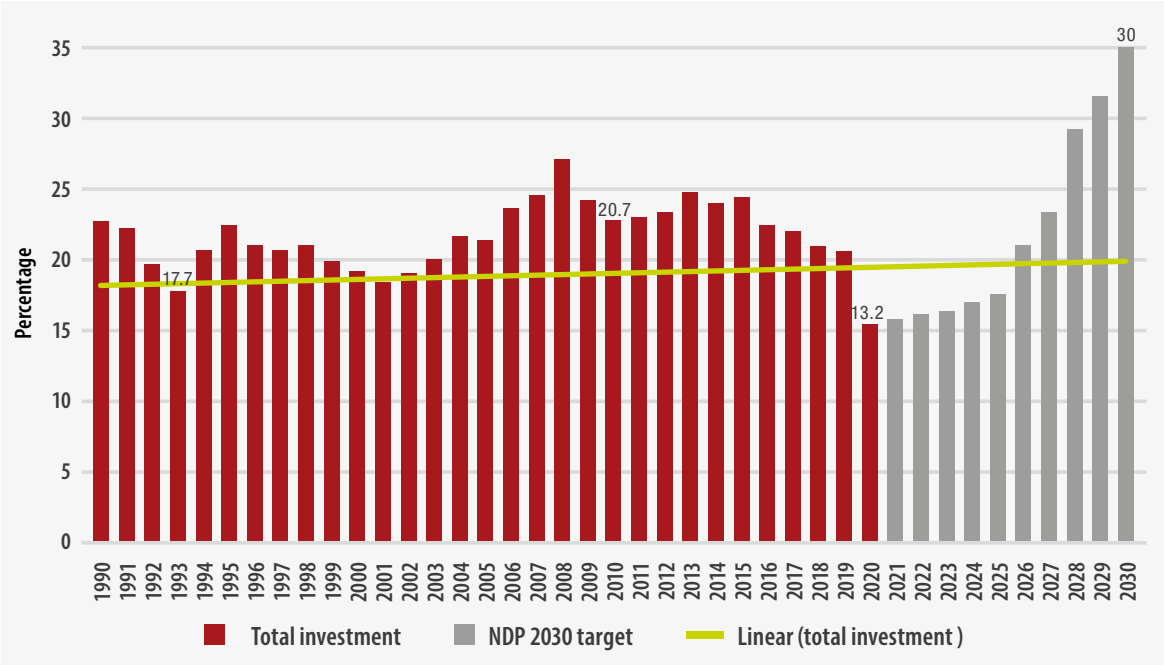
Appendix

Figure A1: South Africa's GDP growth



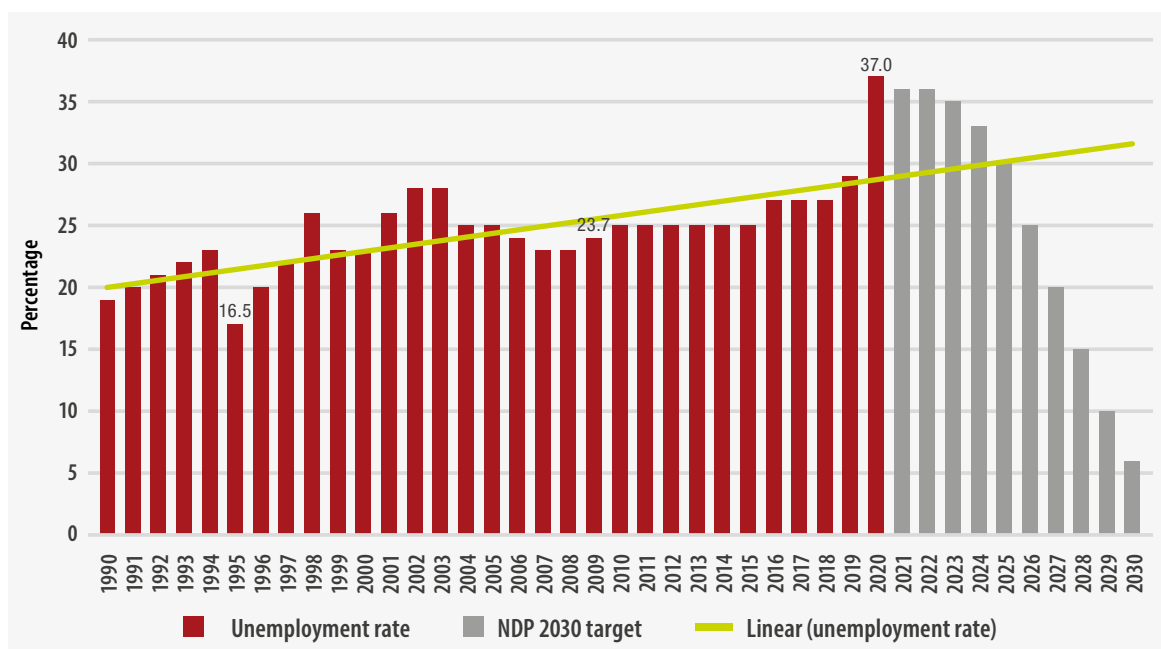
Historical data sourced from World Economic Outlook

Figure A2: Investment as a percent of GDP



Historical data sourced from World Economic Outlook

Figure A3: Unemployment rate (percentage)



Historical data sourced from World Economic Outlook

Endnotes

- 1 Elnari Potgieter (2019). *SA Reconciliation Barometer: 2019 Report*. Cape Town: IJR. <https://www.ijr.org.za/portfolio-items/sa-reconciliation-barometer-2019/>.
- 2 Tiaan Meiring & Elnari Potgieter (2017). Towards a social cohesion index for South Africa using SARB data. *Reconciliation & Development Working Paper No. 1*. Cape Town: IJR. <https://www.ijr.org.za/portfolio-items/towards-a-social-cohesion-index-for-south-africa-using-sarb-data/>.
- 3 Mikhail Moosa (2020). A generation of democracy in South Africa: Insights on political participation from the South African Reconciliation Barometer. *Reconciliation & Development Occasional Paper No. 6*. Cape Town: IJR. <https://www.ijr.org.za/portfolio-items/a-generation-of-democracy-in-south-africa-sarb-occasional-paper-6/>.
- 4 Elnari Potgieter & Mikhail Moosa (2018). More than a space for inter-racial contact: Exploring the importance of the workplace for social cohesion and reconciliation in South Africa. *Reconciliation & Development Report No. 1*. Cape Town: IJR. <https://www.ijr.org.za/portfolio-items/more-than-a-space-for-interracial-contact-exploring-the-importance-of-the-workplace-for-social-cohesion-and-reconciliation-in-south-africa/>.
- 5 Joseph Cotterill (2020). South Africa uses water cannon and rubber bullets to enforce lockdown, 29 March. *Financial Times*. <https://www.ft.com/content/bad47729-32be-4865-b68a-27506158f023>.
- 6 Linda Ensor (2020). Hundreds of thousands arrested over lockdown rules, 7 July. *Business Day*. <https://www.businesslive.co.za/bd/national/2020-07-07-hundreds-of-thousands-arrested-over-lockdown-rules/>.
- 7 See Appendix for graphs related to GDP growth, investment and unemployment
- 8 Elnari Potgieter (2019). *SA Reconciliation Barometer Survey: 2019 Report*. Cape Town: IJR. <https://www.ijr.org.za/portfolio-items/sa-reconciliationbarometer2019/>.

Acronyms

AfCFTA	African Continental Free Trade Area	NPA	National Prosecuting Authority
ANC	African National Congress	SAA	South African Airways
CEO	chief executive officer	SAPS	South African Police Service
GDP	gross domestic product	SARB	South African Reconciliation Barometer
IJR	Institute for Justice and Reconciliation	SMMEs	small, medium and micro enterprises
MTBPS	Medium-Term Budget Policy Statement	SoE	state-owned enterprise
NDP	National Development Plan	SONA	State of the Nation Address
NERP	New Economic Recovery Plan		

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ABOUT THE INSTITUTE FOR JUSTICE AND RECONCILIATION

The Institute for Justice and Reconciliation (IJR) was launched in 2000 by officials who worked in the South African Truth and Reconciliation Commission, with the aim of ensuring that lessons learnt from South Africa's transition from apartheid to democracy are taken into account and utilised in advancing the interests of national reconciliation across Africa. IJR works with partner organisations across Africa to promote reconciliation and socio-economic justice in countries emerging from conflict or undergoing democratic transition. IJR is based in Cape Town, South Africa. For more information, visit <http://www.ijr.org.za>, and for comments or enquiries contact info@ijr.org.za.

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