

State of the Nation: South Africa 2022

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In anticipation of South Africa's annual State of the Nation Address (SoNA), this document contains an assessment by the Institute for Justice and Reconciliation (IJR) of some of the key questions that will be facing the country in 2022. This is based on insights generated from primary research and in-field engagements by the organisation's staff in its Research and Policy unit, and Peacebuilding Interventions and Sustained Dialogues programmes.

Key insights

Politics

- *The state's ability to function as a coherent governance system is compromised, with some of its constitutive parts now verging on collapse. At present, the current administration appears to lack a long-term vision for reform.*
- *A deficient political culture that conflates state and party, rather than a poor constitutional framework, remains the most important impediment to the creation of a professional, independent and effective public service.*
- *The findings and recommendations of the Zondo Commission into Allegations of State Capture could become a catalyst for reform, if treated with the necessary urgency.*
- *Poor governance outcomes are priming South Africans for populism, with more than two-thirds willing to forego elections in return for improved service delivery.*
- *Of particular concern during 2021 is the incendiary racial tone of politics and the mainstreaming of xenophobic language by political parties.*

Society

- *South Africa remains afflicted by its historic divisions, with new divides along lines of class and nationality becoming increasingly prominent.*
- *South African society is characterised by deficits in horizontal trust between ordinary people and vertical trust between people and the state.*
- *These trust deficits delay consensus in all forms of negotiation – be they at the governance or societal levels – and defer inclusive outcomes.*
- *While a majority of South Africans express a willingness and belief that the country can become a more united nation around a shared national identity, economic inequality remains the most important impediment.*

Economy

- *Instances of mass public violence in 2021 visibly demonstrated the high social costs of economic exclusion.*
- *In addressing such exclusion, the South African government is walking an increasingly fine line between maintaining fiscal prudence and stimulating long-term growth.*
- *Greater policy coherence, which provides parameters for flexibility, is needed to ensure broad buy-in from key stakeholders.*
- *With households already heavily burdened by rising costs of living, government should be careful in considering its options for raising revenues through personal and consumption taxes. Where introduced, the most vulnerable in society should be insulated from the impact.*

South Africa in Africa

- *South Africa is a continental leader on the response to COVID-19, and is playing a pivotal role in advocating for the implementation of the African Continental Free Trade Area (AfCFTA) among African Union (AU) member states.*
- *Using its relatively advanced science and innovation capacity, South Africa can be a leader in COVID-19 vaccine production and distribution for the continent.*
- *South Africa can leverage its influence within the Southern African Development Community (SADC) to be a regional leader in promoting peace and security, particularly in Mozambique and Eswatini. South Africa's model of engagement has been through quiet diplomacy and constructive engagement, rather than by imposing its will, which is predicated on a consensus-building approach.*

Politics

1. The core issues

While pockets of excellence exist, the South African state's ability to function as a coherent governance system is compromised, with some of its constitutive parts verging on collapse. Progressively incapable of executing basic mandates pertaining to the rule of law, the provision of core services and the maintenance of critical economic infrastructure, the state finds itself in the midst of an institutional crisis that affects its ability to assert its authority. Of particular concern to the IJR, which seeks to promote fair, democratic, inclusive and peaceful societies, is the state's diminished ability to act as a cohesive force in a highly fragmented country.

With growing frequency, residents in rural and urban areas alike are experiencing the concurrent implosion of water, sanitation, electricity and public transport services. At the same time, rising personal income and concomitant consumer taxes are being diverted away from infrastructure maintenance and social spending towards servicing the spiralling debt of moribund state-owned enterprises (SOEs), such as the energy monopoly Eskom, arms producer Denel, and the national carrier South African Airways. Moreover, there are growing suspicions that the functioning of the latter, together with national key security points, is actively being sabotaged by factional forces within the ruling African National Congress (ANC). At the beginning of 2022, the

country's apex legislature was rendered temporarily useless as a result of a fire that occurred under highly suspicious circumstances.

Regardless of its sources, the country's governance crisis is rendering the state highly vulnerable to external and internal shocks of a political, economic and environmental nature. Even in the absence of such threats, poor governance is weighing heavily on an already fragile social fabric, with tensions likely to manifest more explicitly along racial, gender and xenophobic fault lines in the coming years. In this regard, the Institute is particularly concerned about the extent to which the violent eruptions of July 2021 took on strong racial overtones, and how political parties have in the period under review contributed to the mainstreaming of xenophobic language by scapegoating those with migrant backgrounds for the country's precarious economic situation. Inevitably, inflammatory language at this delicate juncture has implications for social and political stability in the medium to long term. A state with diminishing credibility will have trouble navigating these tensions.

Afrobarometer's public opinion data, gathered in 2021 by the IJR, point to serious threats to the legitimacy of the democratic state in South Africa.¹ Figure 1 shows that in terms of public approval of the functioning of democracy, satisfaction dropped from a high of 60% of respondents in 2008 to less than a third (31%) in 2021. Over the past ten years, the figure plummeted by 17 percentage points. The same survey gauged trust in key public institutions, and a similar picture emerged. Particularly relevant to the 2022 SONA are trust levels in the National Parliament, the country's most important legislative institution. From 54% in 2006, trust levels in the National Parliament dropped by half to 27% in 2021. Probably most disconcerting from a democratic governance perspective is the fact that more than two-thirds of respondents (67%) indicated that they are willing to forego elections if a non-elected leader could impose the rule of law and deliver houses and jobs. A plausible argument can therefore be made that poor governance has primed South Africans for populist politics.

However, an appeal to strongman populist politics, which typically portrays robust democratic oversight as a weakness, confuses the disease for the cure. As suggested in our 2021 SONA brief, it is our contention that South Africa's governance malaise has its roots in weak and dysfunctional checks and balances on executive powers. This is

placing undue pressure on a judiciary that is forced to become an arbiter in polarising matters that should ideally have been resolved by functional systems and processes within the executive. We furthermore contend that this is not a failure of the country’s constitutional infrastructure, but rather of an unhealthy political culture whereby the blurring between party and state has become all but entrenched. As a result, the interests of the state have become conflated with those of the ruling party. Through its cadre deployment policies, employment in public office has become a tool for patronage and nepotism, not only resulting in stunted and hollowed-out institutions, but also making the state, and by extension citizens, highly vulnerable to factional volatility of the ruling party.

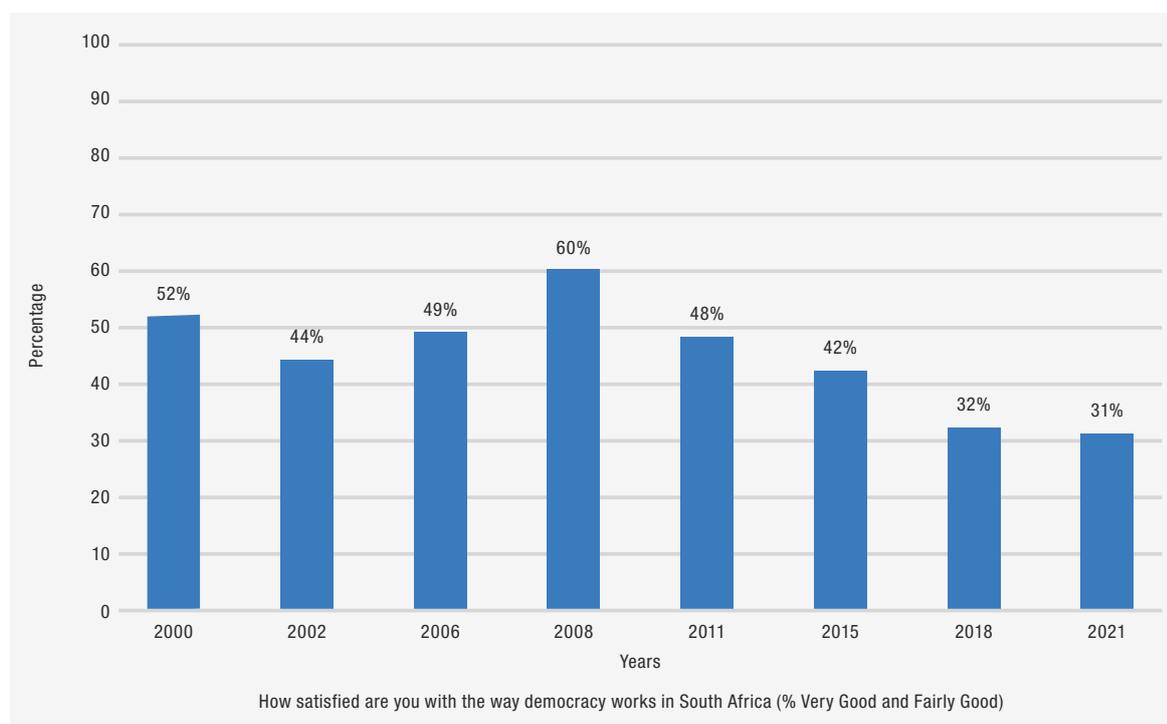
In light of the above, we argue that the most pressing political challenge for South Africa in 2022 and beyond is the rehabilitation of its public institutions, in order to provide a counterweight to the damaging consequences of state–party conflation. The future of the South African state depends on effective institutions that protect political incumbents from their own weakest impulses. While the respective institutions may be facing challenges that are peculiar to their unique environments, the need for reform at the transparency and accountability level cuts across

the entire governance system. While we recognise the prerogative of ruling parties to make key appointments to further governance agendas, this prerogative should not infringe upon the larger objective to create a competent, stable and independent public service. We thus maintain that a public service recruitment system should insulate the state from party capture, by limiting the prerogative for political appointments within the public service, and particularly so for oversight institutions. The country’s National Development Plan, launched in 2012, identified this weakness a decade ago when it contended that competency and accountability in the governance system has been ‘blurred through a complex, unclear appointment process and, at times, undue political interference’.² It proposed a range of reforms to counter this trend, including the appointment of an administrative head of the public service to manage skills requirements and the improvement of parliamentary oversight. Arguably, little headway has been made in this regard.

2. Developments in 2021

One positive movement in arresting the state’s institutional decline in recent years was the establishment of the Judicial Commission of Inquiry into Allegations of State Capture, headed by Deputy Chief Justice Raymond Zondo, in 2018. After five

Figure 1: Satisfaction with democracy in South Africa



Source: Afrobarometer

extensions to its mandate, the Zondo Commission completed its hearings at the end of 2021 and in January 2022 commenced with the phased releases of its final report. Much of what has been contended in the preceding analysis was not only laid bare by the evidence presented before the Commission, but also by the societal response to the way in which it exercised its mandate.

The testimonies presented in 2021 appeared to underscore a now familiar pattern that has emerged from its hearings since 2018: the ruling party, through its cadre deployment practices, captures the state; a dominant faction captures the party; and private business interests capture the dominant faction within the party. This resulted in a symbiotic relationship that paved the way for the looting of public finances, as well as protection from prosecution. Probably the most illuminating set of testimonies in 2021 was delivered by functionaries from the State Security Agency (SSA), who contended that the institution was actively involved in furthering the cause of the ANC and, more specifically, factions within the ruling party. Such alleged squandering of public money, and the diversion of SSA's attention away from the national interest, no doubt came at the expense of the security of the state and those that reside in it.

The devastating events of July 2021 arguably present a case in point. During this month, the provinces of KwaZulu-Natal and Gauteng erupted in the worst mass violence and looting that the country has witnessed since its political transition in 1994. Resulting in the loss of hundreds of lives and massive damage to an already frail economy, this breakdown in the rule of law was precipitated by a 15-month sentence that the Constitutional Court imposed on former president Jacob Zuma for failing to appear before the Zondo Commission, thereby undermining the authority of the rule of law. Arguably, much of the carnage and destruction that followed could have been prevented were it not for intelligence lapses by the country's haemorrhaged national security infrastructure that failed to anticipate the disruption. To date, no one has been prosecuted for the violence, in spite of bold assertions in its immediate wake that the perpetrators were known to authorities.³

The July riots once again offered a stark reminder of the dangers involved in the country's extreme exposure to the ruling party's internal volatility. Increasingly, patience is running out with the Ramaphosa administration's perceived lack of

urgency to bring to book alleged perpetrators of crimes against the state, be it in the form of physical violence or corruption. His critics contend that this could be indicative of various things: firstly, an acknowledgement that prosecution authorities are simply not capable of doing so, or, secondly, that the delicate balance of power within his party prevents him from doing so, especially in the lead-up to the party's national conference at the end of 2022. Few are convinced of the third option, namely that a long-term strategy exists beyond 2022.

In November 2021, the country went to the polls for its sixth local government elections. Voter turnout was at a record low at 46%, with the ANC losing control of the Johannesburg, Tshwane and Nelson Mandela Bay municipalities, while being forced into a coalition in the Ekurhuleni Municipality. Also in smaller municipalities across the country, coalitions had to be formed in the absence of outright majorities. Neither the low turnout nor the ANC's reversal of fortunes came as a surprise. Releasing the 2019/2020 local government audit outcomes in 2021, Auditor-General Tsakani Maluleke pointed to a further deterioration in the management of public finances at this level of government as well, and the consequences for delivery of services.

The local election outcomes could bode well for more competitive politics and improved oversight. On the other hand, there are also those who suggest that the absence of clear majorities may in some instances lead to governance paralysis, particularly in municipalities where outcomes have disrupted entrenched cadre deployment networks of the ruling party. The proliferation of political assassinations, particularly in KwaZulu-Natal, over the past decade has highlighted the high stakes involved in the control of local government patronage networks within the ruling party. Ceding control to other parties may in such instances add another conflict dimension.

3. Implications for 2022 and beyond

At a time of profound global uncertainty and volatility, South Africa, like so many other developing nations, needs to leverage all sources of stability and predictability that it can muster to help it navigate these treacherous circumstances. The unpredictable course of the COVID-19 pandemic has disrupted the social fabric of societies, as well as global travel and supply chains. As a result of the latter, inflation is rising, meaning that central banks will hike interest rates. This in turn is likely to stifle economic growth

due to reduced borrowing for investment, and downward pressure on disposable household incomes around the world.

A robust and reliable governance framework, responsive to the challenges of its environment, does add a measure of resilience to nations at such times of uncertainty. Our contention at the beginning of 2022 is that the South African system is substantially compromised in its ability to do this. This is not due to the country's constitutional architecture, but to a political culture that undermines the systemic checks and balances that it requires to work. As such, a wholesale revision of the Constitution, as now campaigned for by some within the ruling party, may be premature if its full potential to provide a framework for the creation of an inclusive and cohesive society has not yet been fully exhausted.

The findings and recommendations of the Zondo Commission could become instructive in terms of remedying the existing vulnerabilities of our constitutional dispensation. Nevertheless, decisive action will be required to maintain the momentum of restoring the integrity and capacity of the public service. The scale and speed with which the government responds to the report in 2022 will send an important signal in terms of its commitment to clean and effective governance.

While the Zondo Commission's recommendations may largely relate to matters that affect procurement in the public sector, some important interventions can be made at relatively low cost as an investment in the efficiency of broader governance processes. As suggested earlier, some of the proposals in the National Development Plan around the creation of an effective public service, especially as it relates to appointments, must be revisited. In addition, it will be important to strengthen the independence and capacity of Chapter 9 institutions to exercise their mandates and, where necessary, broaden their powers to enforce their authority without fear or favour.

Whether the ruling party will respond to the urgency of such measures in the year of its elective conference remains to be seen. A long-term view may, however, convince the party that it is also in its own interest to institute critical reforms in the wake of its dismal performance in the 2021 local government elections. No longer able to leverage its liberation movement social capital to compensate for subpar performance, it may conclude that efficient institutional checks and balances may actually be

conducive to improved governance in areas that it still controls and protect it in local councils where it takes up its position as opposition party and/or coalition partner.

All these factors play themselves out at a community level. The trust deficit between citizens and the government, as well as in citizens' lack of faith in institutions, is further alienating communities from the state and from one another. There is a growing tendency for people to view themselves or their group as being marginalised from the body politic or mainstream society. As a consequence, many retreat into exclusive identities such as race.

The government, and indeed political parties in general, need to recognise the changing terrain, especially with the growth of social media. A democratic system based on having organised political parties does not take into account the changed context and priorities of communities, nor the way that they work. The political party which is able to best adapt to the new reality will garner more support, especially if it is able to appeal to the large proportion of the voting population that is young.

Society

1. The core issue

Contemporary South African society is scarred by the divisions of its past. Many of these historic tensions have pervaded democratic society, while new tensions along lines of class and nationality have become sources of conflict. Such fragmented relationships across society have fostered a deep sense of mistrust and enmity among different groups, while socioeconomic inequalities and deprivation have sustained social divisions. Although the democratic transition in the 1990s aimed to heal the wounds of the past and unite disparate groups under a common national identity, South Africa remains a divided society characterised by relations of mistrust. Trust is a central component of social cohesion and, with its current trust deficit in society, South Africa remains burdened by historic divisions.

Both the Afrobarometer and South African Reconciliation Barometer (SARB) surveys show that most South Africans do not trust their elected representatives and that the bond of trust among different population groups is low. Afrobarometer data reveal that public trust in various institutions has waned over the last decade, with high-profile corruption scandals, rising unemployment amid poor

economic growth, and dysfunctional service delivery diminishing South Africans' confidence in their state.⁴ The SARB data demonstrate that most South Africans have small circles of trust, including predominantly members of the family or neighbourhood, while groups outside of these circles of trust – people of different backgrounds to the respondent – are not perceived to be trustworthy.⁵

In many popular conceptualisations of social cohesion, trust among citizens is considered to be a central component of a cohesive society.⁶ A trust deficit among a population can also easily lead to negative social interactions, such as prejudices, discrimination or conflict. Social cohesion and national unity have been priorities for successive democratic governments. The current administration is guided by the National Development Plan, a policy framework that outlines goals and ambitions for the government to achieve by 2030.

Despite many initiatives to foster a greater sense of equality among South Africans, perhaps the primary obstacle to realising this ambition is the pervading sense of social exclusion exhibited by many South Africans. South Africa is often characterised as the most unequal country in the world. Within this context and, considering the historical roots of mistrust, instances of conflict, crime and violence are not uncommon, while unhealed animosity towards people of different cultural backgrounds or nationalities maintains prejudices and distrust.

2. Developments in 2021

Two main developments in 2021 were emblematic of the strained relationships of trust in South Africa: the public response to the COVID-19 vaccine, and the riots in KwaZulu-Natal and Gauteng in July 2021.

In May 2021, South Africa began administering the Pfizer COVID-19 vaccine to the public, prioritising older persons who are more vulnerable to the disease. As the year progressed and more vaccines were acquired, the government began allowing younger demographics to be vaccinated. By the end of 2021, the Department of Health had allowed all people over the age of 12 years old the opportunity to be vaccinated against COVID-19, as there were enough vaccines to cover the entire population. However, only a minority of South Africans had been vaccinated at that point. At the end of 2021, only 29 million doses had been administered in a country of close to 60 million people, with the most commonly used Pfizer vaccine requiring two doses per person.

What accounts for the slow take-up of the COVID-19 vaccine? There are many practical reasons for why some people have yet to be vaccinated, including a lack of access to transportation, remote locations or long distances to a vaccination site.⁷ However, emerging international studies have emphasised the importance of public trust in achieving widespread vaccination.⁸ In countries where vaccination rates are high, citizens are more likely to trust their representatives, and especially the government departments responsible for administering vaccinations. Conversely, in states where citizens are less trusting of their representatives and are more polarised from other groups within the population, vaccination rates are not sufficiently high to provide widespread protection. South Africans' lack of trust in their public institutions may have been – and continues to be – a deterrent to greater uptake of the COVID-19 vaccine. Public mistrust has not been unfounded, as the urgency in public procurement necessitated by the pandemic has led to widespread corruption within the state, even implicating the Minister of Health, who resigned amid accusations of corruption.

In July 2021, South Africa's two most populous provinces, KwaZulu-Natal and Gauteng, were gripped by several days of widespread looting and violence. Former president Jacob Zuma's arrest for failing to comply with an order from the Constitutional Court appears to have been the trigger for this unprecedented unrest. Hundreds of people were killed in vigilante attacks and mob violence and damages to homes, businesses and infrastructure amounted to billions of rand. Despite Ramaphosa's initial urgency in quelling the violence and arresting the main perpetrators, whom he accused of trying to undermine the constitutional order, there has been relatively little new information about the causes and instigators of this violence.

Thousands of people were able to be mobilised to carry out mass looting and violence because in certain parts of South Africa the social contract between citizens and the state is broken. Many participants come from impoverished areas, where wage-earning opportunities are limited and incomes are meagre; many households are forced to subsist on social assistance payments or remittances. In these areas of deprivation, service delivery is often poor or inadequate, while crime and violence are common. In short, many of the people who took part in the looting are from areas where the state has failed to fulfil the basic duties of service delivery, and opportunities for economic mobility are constrained.

In addition to these conditions, the pandemic has caused an increase in unemployment and food insecurity, perhaps heightening a sense of desperation for many people, and Zuma's arrest provided his supporters with a motivation to revolt against the state. Much about the causes of the violence in July 2021 remains unknown, but it is unarguable that had the state succeeded in providing greater economic opportunities and efficient service delivery, and if the police had a more cohesive relationship with the residents of these areas, the potential for violent conflict and looting would have been severely minimised.

3. Implications for 2022 and beyond

Although the last two years have been immensely difficult for millions of South Africans, it appears that the country may be in a better place than it was in January 2021. Since then, vaccines for COVID-19 have been made available for everyone older than 12 years of age, and although the rates are still relatively low, many older and vulnerable South Africans now have greater protection against the pandemic. The virus itself remains a threat, but the last major variant, Omicron, was much less devastating than its predecessors. There is a sense of cautious optimism among some scientists that higher levels of vaccination combined with the variants becoming less lethal will lead to less severe restrictions on public life, such as curfews and closure of public spaces.

If the pandemic becomes less deadly and there are fewer restrictions on socialising in 2022, this will affect how people interact with one another and how societies are able to build relations of trust. South Africa's first hard lockdown meant that social interaction was severely limited and opportunities to overcome trust barriers were foreclosed. The SARB survey shows that South Africans are more likely to interact with people from other backgrounds in public areas, many of which were closed for parts of the last two years. Importantly, the SARB data demonstrate that most South Africans agree on a shared national identity, so the basis for building trust among different groups is strong.⁹

Even though there is greater reason for optimism in 2022 than there was in 2021, there are still fundamental and structural barriers to improving public trust and building a cohesive society. When asked to identify the greatest division in society, the SARB survey consistently shows that most South Africans identify inequality – 'the gap between the

rich and the poor' – as the primary division. Fostering social cohesion is increasingly contingent on socioeconomic development, where inequalities are reduced and opportunities for economic inclusion are more equitably distributed. The government's response to the shock of the pandemic will be crucial to building trust in society. The state must be perceived to be rooting out corruption, which is an impediment to service delivery and a blight on public trust in the state. Trust is central to a cohesive society, but to rebuild public trust, South Africa will need to reduce inequality, promote economic opportunities for those excluded from the labour market, and ensure that the state can fulfil its obligations in the social contract.

The economy

1. The core issues

The South African economy is not growing at the rates that are necessary to address its pressing developmental challenges. As a result, most of its citizens remain trapped by the structural constraints of poverty, inequality and unemployment. After initial declines between 2006 and 2011, poverty levels are on the rise again, inequality levels remain as stubborn as ever, and unemployment levels are on a relentless upward trajectory.

Very little headway is being made in addressing these interlocking challenges in a systemic way and, as the country approaches the three-decade mark since its political transition in 1994, there is little suggesting that it will do so in the short to medium term. The factors mitigating against a reverse in fortunes are both exogenous and endogenous.

Since the global financial crisis of the late 2000s, the global economy could not reproduce the same environment that buoyed emerging markets in the earlier part of that decade. The decline in global demand in the period that followed the crisis was particularly harsh towards resource-rich countries like South Africa, which benefitted from the commodities boom of the 2000s. In the absence of a robust industrial sector, geared towards exports, the South African economy suffered. Since 2020, the impact of the COVID-19 pandemic on global supply chains and local economic activity has added another level of volatility.

This lack of resilience to external factors, however, can largely be attributed to the absence of a domestic environment that is conducive to inclusive

growth. Over the past 28 years, successive macroeconomic policy designs have been adopted and prematurely jettisoned more or less concurrently with shifts in the ANC's internal balance of power. Accompanying such policy uncertainty was the malaise of poor implementation, resulting from weak institutions and public sector corruption that drained critical resources. The Zondo Commission's investigation into allegations of state capture has since 2018 exposed the extent to which the blatant abuse of public funds has become commonplace within the country's governance system. The combination of adverse external circumstances and poor governance has left its toll on public finances, resulting in a growing debt burden which has seen the country's debt-to-GDP ratio increasing from a low of 27.3% in 2008 to 81.8% in 2020/2021.¹⁰ As a result, the costs of servicing debt have in recent years increased significantly at the expense of allocations to basic services and investment in public infrastructure. While much of this debt to date has been rand denominated, new US-dollar denominated borrowings from international institutions such as the World Bank make the country far more vulnerable. In 2022 and beyond, the South African government will have to go to great lengths in its efforts to restore global confidence in its resilience. The management of its debt levels will become an important indicator in this regard.

But it will be equally important for government to restore its credibility amongst its own citizens. The economic decline of the last decade has had a substantial material impact on society, with many feeling that their economic circumstances are becoming increasingly precarious. Afrobarometer, for example, found that a decade ago four in ten (41%) South Africans felt that their personal living conditions were bad.¹¹ By 2018, this figure had increased to one in two (49%) South Africans.

Desperation associated with a weak economy and little prospect of improvement in the foreseeable future has got broader social ramifications in terms of social cohesion. When asked by the IJR's SARB survey about South Africa's most prominent sources of social division, one in three people (31%) pointed to the gap between rich and poor South Africans.¹² It should thus not be surprising that the country has witnessed an exponential growth in public violence in recent years. In 2021, civil action peaked at 1 913 events, including 1 033 peaceful protests, 763 riots and six battles.¹³ Of the battles, three involved civilian armed clashes with the police – two at local councillor offices and one at a voting station

– while another involved ANC members clashing at a party meeting in Limpopo.

2. Developments in 2021

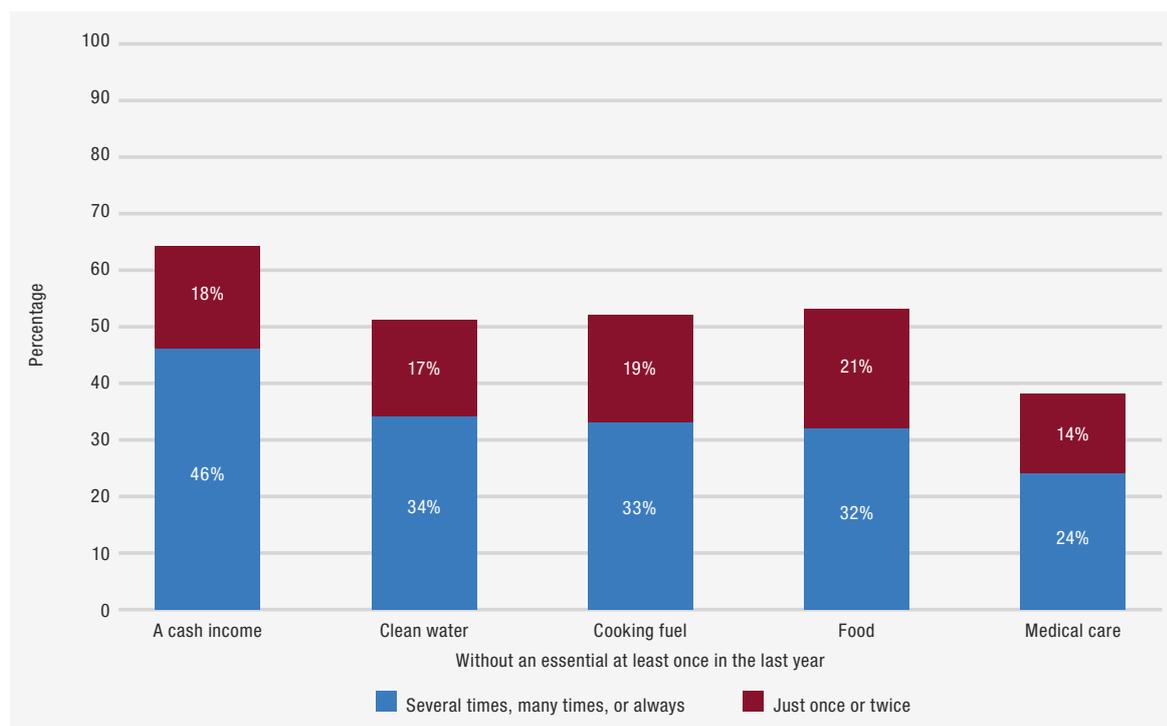
In 2021, against a backdrop of unequal development, a run-down fiscus and dwindling economic agency, the relationship between social cohesion and economic marginalisation was brought into stronger focus. July saw 11 days of unparalleled civil unrest in parts of Gauteng and KwaZulu-Natal, which came at a massive cost to the economy in terms of financial losses, productive capacity and job losses.

This came at time when many South Africans were already feeling desperate about their material plight. In 2021, Afrobarometer confirmed the intensity of this material deprivation (Figure 2). It found that about two in three South Africans (64%) reported having gone without income at least once in the last year, and about half (53%) without food. In addition, the SARB survey found that 37% of people felt that their families' living conditions had worsened over the last couple of years. These extreme realities played out in 2021 as political elites mobilised the materially desperate, resulting in shops stocking even the most basic necessities being looted amid the lawlessness in July.

One lifeline for the economically marginalised has been the social relief of distress grant (SRD), which is likely to be extended beyond March 2022. Despite the state's best efforts to create a social safety net, and its undeniable benefit for millions, the grant – valued at R350 – cannot keep up with the recent 6.7% increase of the food poverty line, previously R585 and now R624. Of particular concern for 2022 is improving access to the most basic resources. If anything, the events of July are a clear indication of how vulnerable the population is to capture by political narratives despite the state's efforts at cushioning the blow of the economic shock with welfare.

In November 2021, the Minister of Finance, Enoch Godongwana, tabled his medium-term budget policy statement in which he recognised the delicate balancing act between igniting economic development, while also managing public debt. Some of the critical leverage points that he mentioned to create greater access to the economy pertained to securing a stable energy supply, affordable internet connection and sound infrastructure development. Another area of critical

Figure 2: South Africans having gone without an essential at least once in the last year



Source: Afrobarometer

importance highlighted by the minister was the reform of SOEs. Their poor physical and financial state currently present one of the most pressing impediments to the creation of a competent state, able to play its role in putting the economy on a more sustainable trajectory. Long afflicted by mismanagement and corruption, it is now important that these entities become enabling instead of debilitating institutions.

The 2022 Budget will once again have to provide this balancing act to ensure fiscal sustainability, while ensuring the implementation of government's economic recovery plan. But only so much can be achieved by the skilful accounting of funds. Amid spiralling debt levels, the revenue to finance spending priorities has to come from somewhere other than borrowing. In the absence of any prospect for robust growth in the short to medium term, the increased burden could once again fall on tax payers, who have witnessed the erosion of their expendable household income in recent years.

3. Implications for 2022 and beyond

In the coming year, we expect that South Africans will continue to experience this downward pressure on their disposable income amid rising inflation and what appears to be a new cycle of interest rate

hikes. The latter is likely to put a further damper on economic prospects for the year, with implications for employment levels, which have reached critical proportions. The latter will in turn exert downward pressure on revenues to be generated from personal income and consumption taxes. It will therefore be interesting to see whether the government in fact takes the route of increasing income and consumption tax. If it does impose a greater tax burden at a moment of rising inflation and interest rates, it will not only expedite the erosion of household income but also signal the desperate position of the fiscus.

Although output is expected to return to pre-pandemic levels in 2022, and government has secured an R11.4 billion loan from the World Bank to fund the Economic Recovery Plan, solutions will require more flexibility from the state. Amid a pandemic that aggravates its existing challenges, the South African government finds itself in uncharted territory. As such, it needs to move fast in removing the impediments that obstruct progress in an already difficult environment. This will require, firstly, the prioritisation of policy clarity, which should be achieved in partnership with key stakeholders in business and in labour. Too much infighting and prevarication over several years have cost the country dearly. Secondly, it will also need to regain its

credibility amongst ordinary South Africans who have become cynical about its capacity to appropriate public finances in ways that are most beneficial to the country. Thirdly, the rigidity of the economy and its subsequent constraints will also require that attempts at reform create more flexibility within the economy. Failing SOEs exemplify that rigid centralisation has impeded growth and inclusion, making a case for policy options that consider greater decentralisation, thereby increasing critical components of inclusion such as innovation and access.

South Africa in Africa

1. The core issues

A key issue in 2021 was the continuous wide-ranging threat posed by COVID-19 to South Africa and Africa. COVID-19 has had an impact on geopolitics, governance, public health and socioeconomic well-being across the continent. South Africa played an important role in the efforts to mitigate against the spread and management of COVID-19 across the African continent. This assessment will analyse the challenge of COVID-19 mitigation measures and South Africa's engagement on this issue.

The provision of peace and security in the southern African region emerged as a key issue, given the rise of violent extremism in Mozambique. This issue has the potential to destabilise societies in the region, including South Africa. South Africa continues to play a key role in the pursuit of peace and security in the southern African region as a member of the SADC Organ for Politics, Defence and Security and in its current role as chair of the Security Troika. This assessment will also discuss the peace, security and governance challenges on the continent, which South Africa has actively engaged in addressing.

An additional key issue in 2021 was the continuing efforts to promote regional economic integration. The need to increase economic activity in the southern African region as well as across the continent is important, particularly after two years of the devastating effects of COVID-19 on the economies of countries in the region. This assessment will also discuss South Africa's active role in the operationalisation of the AfCFTA, and analyse how increased cross-border trade could contribute towards deepening political and economic continental integration.

South Africa has positioned itself as the gateway to Africa, and a number of global actors, including the

US, the European Union, China, Russia, India, Japan and Turkey, have sought to engage the country on this basis. Indeed, South Africa's muted influence on the international stage, and inability to play a catalysing role to mobilise other African countries to work collectively through their continental institutions, has provided a number of global actors with the licence to project their power and influence on the African continent. Notably, the 2021 crisis in Ethiopia witnessed the incursion of these global actors, including the US, China, Turkey, the United Arab Emirates (UAE) and Iran, onto the peace and security landscape, through financial, technological and drone warfare support to the belligerents on all sides of this crisis. The epidemic of military coups in West Africa is linked to the spread of violent extremism in the region, which is itself the result of blow-back from the US, France and UK-led NATO intervention in Libya in 2011. Russian interests in Mali have led to the waning influence of France in the country, with the recent expulsion of the French ambassador from Bamako. Conversely, French interests in the oil and gas reserves in northern Mozambique have witnessed its increasing role in providing tacit support to key actors in the crisis. These events point to the need for South Africa to play a more determined convening role within regional and continental institutions to activate and empower African countries to manage and resolve their own internal crises.

2. Developments in 2021

The AU's Agenda 2063 refers to pursuing 'an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena'.¹⁴ The devastating and wide-ranging effects of the COVID-19 pandemic have instigated a crisis that represents both a challenge and an opportunity for Africa to strive to realise its full potential in terms of consolidating peace and development, through cultivating a culture of Pan-African solidarity and self-determination.

South Africa was chairing the AU Assembly of Heads of State and Government when the pandemic began, relinquishing this role in February 2021. Since then, South Africa has continued to play a role influencing the Africa Centres for Disease Control and Prevention (CDC) and the Africa Task Force for Coronavirus (AFTCOR) to implement the AU Joint Africa Continental Strategy on COVID-19. In 2021, South Africa continued to play a significant role in leading the campaign against what President Cyril Ramaphosa has described as global 'vaccine

apartheid'.¹⁵ To date, only 10% of the African population has been vaccinated. The disease does not discriminate against its victims on the basis of race, nationality, ethnicity, gender, culture, religion or financial affluence. Ramaphosa's message to Europe and North America is that COVID-19, through its indiscriminate attack on all people, is a wake-up call to our essential unity and interdependence as human beings. It has become clear that Africa will continue to embrace Pan-Africanism in order to address the damaging effects of COVID-19 on governance, socioeconomic well-being, public health, education and industry. A positive spin-off of these developments has been an increase in investment in the pharmaceutical industry across the African continent.

South Africa has achieved a significant degree of progress in terms of the ratio of its population that has been vaccinated, with over 29 million doses administered by the end of 2021. However, vaccine hesitancy and the anti-vaccination campaign remain key challenges for ensuring a more widespread level of vaccination across the country. The two years of lockdown restrictions and the implementation of the South African National State of Disaster provisions decimated key industries that the country relies on for national revenue generation, notably the tourism and wine production industries. Therefore, South Africa needs to collaborate and build partnerships across the African continent to reverse the effects of this lockdown and accelerate economic growth.

South Africa, peace and security in the region

In 2021, President Ramaphosa became the chair of the SADC Organ for Politics, Defence and Security. The southern African countries that dominated the agenda of the SADC Organ in 2021 were Mozambique, Eswatini and Lesotho. South Africa contributes troops to the SADC Mission in Mozambique (SAMIM), and the force commander is Major General Xolani Mankayi of the South African National Defence Force. SAMIM's mandate is to support Mozambique to 'combat terrorism and acts of violent extremism in Cabo Delgado by neutralising terrorist threat and restoring security in order to create a secure environment; strengthening and maintaining peace and security; restoring law and order in affected areas of Cabo Delgado Province and supporting the Republic of Mozambique, in collaboration with humanitarian agencies, to continue to provide humanitarian relief to populations affected by terrorist activities, including internally displaced persons'.¹⁶ SAMIM is confronted by a challenging situation, and the limited resources available to its

Troop Contributing Countries (TCCs) means that the mission cannot adequately project its authority. In addition, the continuing deployment of SAMIM places significant strain on the resources of contributing states, which means that pressing domestic challenges remain unaddressed. This does not augur well for stability in the southern African region. An IJR Policy Brief entitled 'Paying the Price: Financing the Mozambican Insurgency' notes that 'ordinary Mozambicans are driven to joining the insurgency as a result of marginalisation, disenfranchisement and limited prospects for change' and therefore a strategy for ensuring the long-term stability of the country should focus on addressing the underlying cause of the violence, which is linked to socioeconomic deprivation and the absence of opportunities to improve livelihoods.¹⁷

The southern African region was also affected by significant governance challenges in Eswatini, with pro-democracy protests against the absolute monarchical rule of King Mswati being met with a government clampdown. On 21 October 2021, Ramaphosa, in his capacity as the chairperson of the SADC Organ, sent former cabinet minister Jeff Radebe as a special envoy to Eswatini, in a delegation that included officials from South Africa, Namibia and Botswana. The SADC Statement on the crisis in the country determined 'that the conduct of a national dialogue should be the appropriate platform to address the current challenges facing the country'.¹⁸ The SADC Statement further identified 'the need for a peaceful and conducive environment for the dialogue to take place'.¹⁹ A key issue that needs to be considered is South Africa's ability to engage in peace and security on the continent given its internal challenges, notably the social unrest that it experienced in July 2021. There have been continuing requests for South Africa to engage with other crisis situations, notably in Ethiopia, Libya, South Sudan and Sudan. This illustrates the need for South Africa to prioritise strengthening the capacity of continental and regional institutions, including engaging with civil society actors, in order to share the burden of addressing the crises which continue to affect the continent.

South Africa and regional economic integration

South Africa was a prime mover for the establishment of the AfCFTA, which has now been signed by 54 countries across the continent, with a population of more than 1.3 billion people. The challenges that COVID-19 has imposed on the African continent have inspired the drive towards deeper regional economic integration and the

AfCFTA will create the largest free-trade area in the world. The AfCFTA was formally initiated in February 2021, during the annual AU Heads of State and Government meeting, in Addis Ababa, Ethiopia, when South Africa concluded its chairing of the AU. The AfCFTA Secretariat is headed by Ambassador Wamkele Mene, a career South African trade diplomat. The AfCFTA can contribute towards growing small and medium-sized enterprises (SME) to access wider markets and thus expand their businesses. There are still a number of challenges confronting the Pan-African Payment and Settlement System, which is being piloted in a number of countries in West Africa.

The operationalisation of the AfCFTA and increased trade will also contribute towards deepening political and economic continental integration. An Afrobarometer research study suggests 'it is possible in the coming decade that the African Continental Free Trade Agreement may facilitate enhanced intra-continental mobility'.²⁰ There is a continuing need for all African governments to sign and ratify the AU Protocol on the Free Movement of People and issue AU passports to ordinary citizens across the continent so that they can leverage the opportunities presented by the AfCFTA. In this regard, South Africa has a leadership role to continue to pursue the issuing of the AU passport as a means to enabling cross-continental mobility, which is a necessary element in the successful implementation and operationalisation of the AfCFTA. The case for opening up borders is more salient for South Africa, given the prevalence of xenophobic sentiments in the country. The IJR SARB data demonstrate that four out of ten South Africans harbour some negative sentiment towards non-South African citizens, and there have also been incidences of violence dating back to 2008, 2015 and 2018. The adoption of the AU Protocol can contribute towards increasing the interaction and exchange between South Africans and Africans from other parts of the continent, which can mitigate against the spread of xenophobic sentiment across the country.

3. Implications for 2022 and beyond

South Africa is now on a trajectory to continue easing restrictions, which will open up opportunities for enhancing entrepreneurship, despite the prevalence of the less fatal but more contagious Omicron variant, which was first identified in the southern African region. In terms of countering vaccine apartheid and pursuing 'vaccine independence', South Africa has established Africa's first COVID-19

vaccine manufacturing plant in Cape Town, supported by South African-American businessman Patrick Soon-Shiong, which will be a game changer for the continent. The establishment of this manufacturing base augurs well for Africa and will ensure that vaccines are more effectively distributed across the continent.

A key challenge is to ensure that citizens across the region engage with the establishment of the AfCFTA and also find ways to leverage it to improve their socioeconomic livelihood, in order to consolidate peace, security and improved governance. In this regard, civic actors engaging in transnational trade can contribute towards fostering a sense of belonging, shared values, peace and security through cross-border interaction, in collaboration with governments and intergovernmental organisations. South Africa's continuing role in implementing and operationalising the AfCFTA will be pivotal in enabling the framework to enhance and improve the lives of citizens across the continent. South Africa continues to be a key actor across the Pan-African landscape and it is therefore crucial that it continues to address any internal challenges that it faces so that it can more proactively contribute towards development on the continent.

Conclusions: Looking toward 2022

In 2022, severe material and social pressures will test the cohesion of South African society, as well as the capacity of its state to navigate these treacherous circumstances. Amid growing unemployment, rising prices, interest rate hikes and the looming possibility of tax increases, South African households are materially stretched. The poor state of the country's public finances suggests that the government's options are limited in extending any form of reprieve to its citizens. Against this background, it is not surprising that our public opinion research points to growing despondence amongst South Africans in terms of their current circumstances and their prospects for any material improvement in the foreseeable future. This provides further fertile ground for polarisation, fragmentation and social conflict of the kinds that we witnessed in 2021.

Our contention here, based on evidence from the past year, has been that the South African state is not optimally positioned to confront these challenges. While an unfriendly global economic environment limits the range of possible interventions, we are nevertheless of the opinion that there are options within the government's sphere of

influence that can enhance the state's long-term capacity to respond to these challenges. While these may not provide instant solutions, they may signal greater consistency and predictability, which in turn could restore a measure of credibility in its commitment to improve livelihoods.

Primary amongst these is the introduction of measures to strengthen the transparency and accountability mechanisms of public institutions to ensure the most efficient and productive use of available resources. The first instalments of the Zondo Commission's findings and recommendations have been incisive in terms of its diagnosis of the state's challenges to govern effectively, as well as the potential remedies to arrest their decline. The speed with which the

government responds to these findings will provide a first indication of its seriousness to arrest any further challenges to the capacity to execute its mandate. We have furthermore advised that the National Development Plan's recommendations for the creation of more effective public service be revisited. Of particular relevance would be the need to insulate the state from the conflation of state and party interests.

However, the circumstances are not ideal in a year when the ruling ANC conducts its national elective conference. With positions in public office previously being used to reward factional loyalties in its leadership elections, it remains to be seen whether the necessary courage can be mustered to put country over party interests.

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Acronyms

AfCFTA	African Continental Free Trade Area
Africa CDC	Africa Centres of Disease Control and Prevention
AFTCOR	Africa Task Force for Coronavirus
ANC	African National Congress
AU	African Union
IJR	Institute for Justice and Reconciliation
SADC	Southern African Development Community
SAMIM	SADC Mission in Mozambique
SARB	South African Barometer Survey
SME	Small and medium-sized enterprises
SOE	State-owned enterprise
SoNA	State of the Nation Address
SRD	Social Relief of Distress Grant
SSA	State Security Agency
TCT	Troop contributing countries
UAE	United Arab Emirates

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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. The IJR works with partner organisations across Africa to promote reconciliation and socio-economic justice in countries emerging from conflict or undergoing democratic transition. The 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. This publication has been made possible by funding support from the Swedish International Development Cooperation Agency (SIDA).



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