

# The quantification and management of political and economic indicators of risk in the context of an electoral contest

2014

**P Croucamp**

Department of Politics, University of Johannesburg

**L P Malan**

School of Public Management and Administration, University of Pretoria

## **ABSTRACT**

*This article reflects on the most dominant variables and indicators of political risk in the run up to the 2014 elections in South Africa. It is assumed that political and economic risks influence the public discourse on democracy and the social values which underpin the relationship between political parties and the electorate, and similarly the relationship between state and society. The Weberian maxim of liberal democracies being embedded in "rational laws, logical rules, bounded government and trained administration" has to be the guiding set of principles for such an analysis. While it is assumed that state-societal relations in South Africa is permeated with contending regime preferences and that governance relies heavily on a connective tissue of ideological, institutional or even relational compromises, South Africa still is a constitutional democracy functioning within the conceptual realm of libertarianism. The indices used to measure risk in this article complies with those accredited as international standards, and it emphasises the political and economic risks embedded in the connective tissue between state and society under conditions of electoral contest in South Africa.*

## **INTRODUCTION**

The African National Congress (ANC) celebrated its 100-year anniversary on 8 January 2012 and has governed South Africa's political democracy since the 1990s. During this time, the economy has grown at approximately 3,5% per annum and political contestation

has stabilised, even if not matured into a measurable degree of what is often referred to as institutional consolidation (Putnam 2002:111-187). The provinces of KwaZulu-Natal and the Western Cape have been governed by opposition parties and the Democratic Alliance (DA) has mustered substantial electoral support in the Western Cape, especially amongst the Coloured constituencies. Thus, the operational confines of political contestation have allowed for incumbents to vacate office in favour of contending regime preference. The process was completed within the realm of political civility. Support for the ethnically-based Inkatha Freedom Party (IFP), which had been involved in a low-intensity civil war with the ANC during the early 1990s – claiming an estimated 20 000 lives (Johnson 2009:66) – has since declined as a feature of electoral politics and the party does not play the dominant role in South African politics as it used to do. With this decline the likeliness of violent electoral contests has also diminished and since 1994, national, provincial and local elections have been conducted with the outcome considered by all parties as *reasonably* free and fair. During the last election, the ANC had lost electoral support in every province except in KwaZulu-Natal where the political implosion of the IFP allowed the ANC to strengthen its political dominance.

A recently released report by Goldman Sachs (2013) indicates that South Africa has grown to become a very different political economy from that which was inherited by the newly elected democratic government and state in 1994. The Gross Domestic Product (GDP) has increased from a very modest USD136 billion (R1 395bn) in 1994 to the current to USD385bn. Inflation, which has eroded the value of the national currency has, during this time, been brought down from 14% to an average of 6%. Gross gold and foreign exchange reserves have grown from \$3bn to \$50bn. The Black middle class is estimated by Statistics South Africa (2011 – 2013) to be approximately 4,2 million – larger than the 3,7 million White middle class – and while not equal as regards to assets yet with a significantly stronger spending power in the economy. The number of tax receipts of R114 billion from 1,7 million people increased almost exponentially to R814 billion from 13,7 million people. On the welfare side, the number of citizens on welfare grants grew from 2,4 million to 16,1 million (Goldman Sachs 2013). This aforementioned, if added to the social and economic value of the rapidly growing informal economy of South Africa, might to some degree become an explanatory variable in the quest to understand political stability in the country.

If the economy has become such a completely different entity, the political system upon which it is functioning should be measured in accordance with a completely reviewed set of risk indicators. However, some remnants of liberationism prevail in the South African political economy, often in the guise of state interventionism or other ideological strains of thought. In that context, the following questions are important to political risk and electoral contests in South Africa:

- To what extent will the ANC's electoral support be influenced by the weak managerial capacities of the state?
- What effect will more competitive elections have on the institutional interface between the state and the ruling party?
- How will the electoral challenges to the ANC's hegemony impact upon the constitutional fabric between the government and the state?
- Will the nature of opposition politics under conditions of the ANC's hegemony weaken or even the fragment of the tripartite alliance?



These questions should be reviewed against the backdrop of an ever-present political risk and the variables which determine the extent of risk within the polity. It is assumed that the *extent* and *nature* of political risk measured within the system or within the relations between state and society will determine the behaviour of dominant political actors, civil society groups, national economic interests and role-players within the international political economy (McKeller 2010: 67).

Even though the leadership struggles within the ruling party can be divisive and indicative of a very personalised contest between systems of patronage, it still occurs within the institutional and constitutional realm of the rule of law. The instability within the ruling party is regularly projected onto the state, and often affects the constitutional prescription of oversight and institutional autonomy, but there is no substantive reason to question the legitimacy of the state or the jurisdiction and independence of the judiciary in applying the rule of law. However, fierce and forceful power contests may be, as long as the state remains an impartial arbiter between contenders. The constitutional regime will be isolated from authoritarian encroachment into its normative domain.

A second important observation is that leadership struggles within the ruling party have not fundamentally altered the country's macro-economic policies. The exponentially increasing interventionist, fiscal policies of the state are more likely to be the result of attempts to legitimise the state under conditions of a depressed local and international economy and a contracted labour market, rather than the consequence of a dominant executive. It is, however, imperative to consider the most likely outcome of such contests as it has decisive consequences for the identity of the ruling party and consequently also the way in which the state is perceived by dominant societal constituencies. In the past, the executive has all too often also shaped the operational and functional attributes of the legislatures. More recently, there are signs that the executive, as well as the tripartite alliance seek to determine the conceptual confines of justice.

Another variable which determines the relational tissue between state and society is the extent to which the *absent state* allows for survival strategies to evolve beyond the extractive reach of the state. The informal economy of South Africa, currently estimated by economist Mike Schussler (interview 12 October 2013) to be between 9% and 15% of Gross Domestic Product (GDP), not only allows market conditions to be functional beyond the regulatory reach of the state, it also provides income and a means of survival to literally millions of people who are often erroneously counted as being unemployed. The aforementioned is a strength, and needs policy attention (as a source of state revenue), but more importantly, in any index scaling indicators of political risk, such a variable might explain to an extent the relative passive nature of the just less than 25% unemployed people.

## **THEORY OF RISK AND RISK QUANTIFICATION**

The quantification of social indicators is a controversial undertaking, and often such a project is founded upon a scholarly compromise about the conceptual confines and operational attributes of *probability* and *uncertainty*, rather than an informed consensus about these concepts as political phenomena (Cleary and Malleret 2006:11). Risk and the management thereof, therefore relates to the known uncertainties of the unknown – or possible – future

outcomes. Economists may have it slightly easier than the scholars of political theory in that they can rely on the predictive nature of mathematical equations (Mckeller 2010:66; Guy and Kamga 1998:55). *Social constructs* by its very (esoteric) nature may well be too *amorphous* – to quote South Africa’s former Minister of Finance, Trevor Manuel’s reference to the international markets – to allow for sufficient analytical consensus about the statistical validity of indicators of political risk (Bernstein 1996:1-9 and Jodice 1985:8). In this equation, *uncertainty* precedes *probability* and the outcome is virtually per definition contested. Risk is, therefore, equated to uncertainty. For weak states – or states experimenting with the libertarian architecture of political contest and contestation – uncertainty often not only emanates from obvious, institutional fragilities, but also from a public discourse marred by a lack of consensus about the origins, justifications or solutions to the inherited political pathologies inhibiting good or effective governance (Van Wyk 2006:245).

The role of the state in the national economy is central to the discourse on regime theory and the international political economy. The fact that state capacities internationally, vary from weak or absent to strong and efficient, complicates a scholarly consensus with regards to theory, but in the operational realm of the nation state – where ideology or contending regime preferences permeates the political and economic discourse – consensus seems to be even more elusive. Often, a multi-variable compromise allows for the measurable degree of policy stability, which then allows for rating agencies to make statistical extrapolations of (economic/financial) *predictability* or (political) *certainty*. A clearly defined policy regime that complies with international regime preferences (be it the criteria of rating agencies, international investors, trading-blocks/partners or the International Monetary Fund) seems to be the *holy grail of compliance* which eludes developing political economics such as South Africa, but perhaps more generally, the liberal-democratic experiments of post-conflict societies.

It cannot be reasoned confidently that the state in South Africa is weak with regards to social and political legitimacy, even though it can be described as weak in an institutional sense. The extractive capacity of the state has been consolidated considerably through an increase in the managerial and administrative capacities of the Treasury, but the distributive regime of the state is under pressure as a consequence of 16 million welfare grants being distributed monthly. That has led to international rating agencies such as Moody’s and Fitch’s downgrading South Africa’s otherwise stable rating to unstable. While the government is directly affected by the instability within the ruling party, the state is challenged by demands for preferential access through corruption, systemic patronage and economic empowerment. The contradiction for developing political economies is that preferential access such as patronage networks and economic empowerment also the architecture provide for the state’s legitimacy.

## QUANTIFYING THE POLITICAL RISK

Moody’s has downgraded the ratings of five South African banks, Standard Bank of South Africa, Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, and Investec Bank Ltd on 28 February 2012. Specifically, the banks saw their senior debt and deposit ratings downgraded by one notch. Moody’s stated that the rating action reflects “*the impact of the*



country's increasingly constrained public finances". This is despite the fact that South Africa's budget of 22 February 2013 showed some reduction in the projected fiscal slippage which occurred during 2011 (see table 1). Clearly the rating's agency argued that not enough had been done. A better budget outcome would clearly have been fiscal consolidation (fiscal deficit reaches 3,0% of GDP) in 2013/14 as per the 2010 projections, instead of 2014/15. This would likely have given the agency greater comfort.

**Table 1: International credit ratings agencies and South Africa**

Moody's	Standard & Poor	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3 (South Africa)	A-	A-
Baa1	BBB+ (South Africa)	BBB+ (South Africa)
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Ba1	BB+	BB+
Ba2	BB	BB
Ba3	BB-	BB-
B1	B+	B+
B2	B	B
B3	B-	B-

*Upper column is considered "investment grading" and the lower column "speculative"*

Source Goldman Sachs Report 2013

A recently released report of Goldman Sachs contextualises a whole range of uncontested indices, reflecting mostly on South Africa's macro-political-economic indicators amidst the rather predictable allegations in the media and comments that the review is *business friendly*, may well conceal the reality of the less obvious poverty statistics of the national economy. To some degree these allegations are embedded in the liberal *vis-à-vis* liberationist-regime preferences of South Africa's public discourse, but in many ways it also reflects on the stark choices of societies marred by polarising inequality, high unemployment, poverty and relative deprivation.

By its very nature these indices are controversial, but they do allow scholars and analysts to compare different states in terms of its sustainability under the universal conditions of the international political economy.

**Table 2: South Africa's recent performances as part of key international indices**

Index	Most recent position	Past position
Global competitive index	53 <sup>rd</sup> out of 148 countries (September 2013)	35 <sup>th</sup> (2007)
Doing business report	39 <sup>th</sup> out of 185 countries (September 2012)	28 <sup>th</sup> (2008)
Emerging markets opportunity index	14 <sup>th</sup> out of 26 countries (February 2013)	13 <sup>th</sup> (2009)
IT industry competitive index	47 <sup>th</sup> out of 66 countries (August 2013)	37 <sup>th</sup> (2007)
Human development index	0.629 (2013)	0.604 (2005)
Trends in international mathematics and science study	SA withdrew from the survey in 2007, but re-entered at a different level where only three countries were tested	46 <sup>th</sup> out of 46 countries (2003)
Corruption perception index	69 <sup>th</sup> out of 173 countries (2012)	44 <sup>th</sup> (2004)
Index of African governance	5 <sup>th</sup> out of 12 countries (2013)	6 <sup>th</sup> (2000)
Environmental performance index	128 <sup>th</sup> out of 32 countries (2013)	76 <sup>th</sup> (2006)

Source Goldman Sachs Report 2013

The World Global Competitive Index released in September 2013 elaborated on South Africa's poor ranking in terms of labour market efficiency (116<sup>th</sup>), hiring and firing practices (147<sup>th</sup>), wage flexibility (144<sup>th</sup>) and labor-employer relations (148<sup>th</sup>).

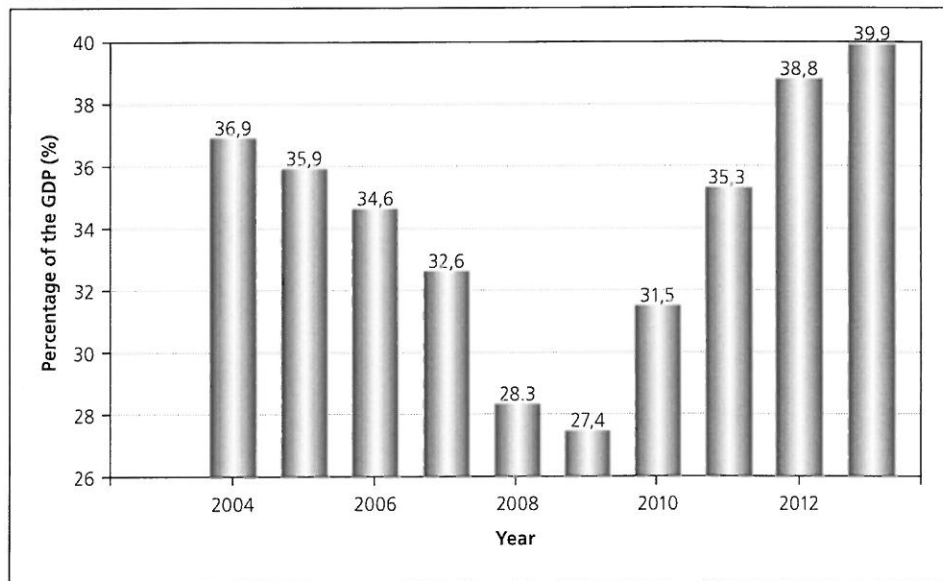
South Africa's government debt is not exceptionally high compared to either its main trading partners or the other BRICS (Brazil, Russia, India, China and South Africa) countries. Government debt – expressed as a ratio to Gross Domestic Product (GDP) – is the amount of money the national government owes its creditors. The higher this ratio, the more likely it is that the government might default on its repayments to creditors; this shortfall will appear in the Treasury's current account which again may – or will – have consequences for government spending on social services and development. The aforementioned will have a plethora of side-effects, but perhaps the most important is that the existing debt will be too expensive to service. Future debt will be either be impossible to attain or be at a very "high risk" interest rate.

Despite South Africa's history of political violence and repression, the reign of the ANC in government, since 1994, has seen an era of relative social stability and even a fair amount of social cohesion. No parliamentary party, for instance, is seriously considering the partition of the country or of destabilising the state – such as the Irish Republican Army in Northern Ireland between 1969 and 2003 or the Scottish Nationalists wanting a referendum on Scots secession in the near future or Flemish nationalism in Belgium.

South Africa's population is officially estimated at between 50 and 55 million people. In African terms the economic reach of the country is approximately 150 million people,



Figure 1 South Africa's government debt to GDP



Source: [www.tradingeconomics.com](http://www.tradingeconomics.com), National Treasury, South Africa

or the largest part of southern Africa (Statistics South Africa 2013). Almost every economy in southern Africa relies heavily on imports from South Africa, and the remittances from approximately 10 million foreigners working legally or illegally in either or both the formal and informal economies of the biggest economy on the African continent, subsidise the economies of Malawi, Zimbabwe, Mozambique, Zambia, Lesotho and Swaziland. South African companies are also the biggest investors in the African economy. As the largest economy in Africa it accounts for 24% of the continent's Gross Domestic Product (GDP), and is ranked by the World Bank as one of only four countries in the upper-middle income category (the others are being Botswana, Gabon and Mauritius). About 23,9% of South Africa's population is unemployed (Goldman Sachs Report 2013).

It is, however, South Africa's massive informal economy, which not only operates beyond the state's extractive regime, but also beyond its institutional reach. For more than three decades the state endeavours to regulate the annual R160-billion taxi industry, with no success. With the exception of value-added tax (VAT), the taxi industry has no obligation towards the South African Revenue Services. It is estimated that a significant share of this country's food export is informalised through the mobility of trans-national migrants, as citizens of neighboring states – as well as states further north, moves relatively unhindered across the country's northern borders.

## OPERATIONALISATION OF POLITICAL RISK INDICATORS

The South African Institute for Race Relations (SAIRR) in 2011 drew up an index of indicators for good governance and it was adapted for the purpose of this article to add two additional columns on the right (2011/12 as well as 2012/13) as part of an ongoing assessment. While



a steady decline in most indexed indicators are recorded, a number of important-, or pillar indicators reflect significant stability. The stable indicators could be described as an indication of social capital (Putnam 2002:189 and Jeffrey 1984:98) prevailing in the relational tissue between interest formations within society.

**Table 3: Indicators of good governance**

Indicators of Risk	1994/2009 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Democratic governance	51	45	42	40	35
Rule of law	48	37	35	32	30
Individual rights and responsibilities	61	65	59	59	50
A vigilant media and civil society	64	61	56	60	62
Racial goodwill	52	55	50	50	50
Good citizenship	32	30	34	35	32
Liberation of the poor	25	21	28	28	25
Effective government	29	26	25	25	20
Scope of enterprise	49	45	42	40	35
Growth-focused policies	35	32	30	38	30

Source Adapted from Fast Facts, SAIRR September 2011

With regards to democratic governance, there seems to be a growing consensus that the connective tissue between state and society – thus the social capital which emanates from *trust* and *legitimacy* (the two key pillars of social capital) – is under strain (Putnam 2002:99). All three the dominant rating agencies (Fitch, Moody's and Standard and Poor) indicate in their most recent reviews of South Africa that the current account deficit of South Africa (currently at 6%) is expected to put pressure on state's distributive capacities (spending), which again will have specific and observable political consequences for both government and the state. The approximately 870 service delivery unrests of 2012/2013 might be a quantified indicator of these predictions by rating agencies, and similar sentiments have been expressed in the media by the research institute (SAIRR 2013).

The Public Protector (PP) is currently finalising her investigation into the renovations at president Zuma's private residence at Nkandla in KwaZulu-Natal. The PP is a constitutionally prescribed Chapter 9 institution which has to protect civil society from the intended and unintended consequences of poor public management or maladministration of the state's obligations towards society. The constitutional jurisdiction of the PP is to independently investigate the deviant behaviour of the state and its institutions where-ever and whenever it may occur. The PP reports to Parliament and has no obligation to account to the executive for any of her investigations. The findings, conclusions or recommendations of the PP also have no legal standing and should the PP suggest that criminality indeed occurred the matter still has to be referred to the prosecuting authorities. The constitutional responsibilities of the PP, however, have a direct bearing on the operational architecture of notion of *democratic*





*governance*. Corruption or financial maladministration erodes the connective tissue (social capital of trust and legitimacy) between state and society (Roodt 2013:94-99).

If the Global Competitive Index of 2012 wherein South Africa is rated as 69th out of 173 countries is considered together with the facts which led to the PP's investigation into the role of the executive and the state in the Nkandla-controversy, the consequences thereof for state-societal relations becomes clearer. Also, during 2013 the Auditor-General found that the state has misappropriated, in various ways, as much as R32 billion (Report of the Auditor-General on State Expenditure 2013). These are financial and economic features of management and governance with direct and measurable political consequences for democratic governance.

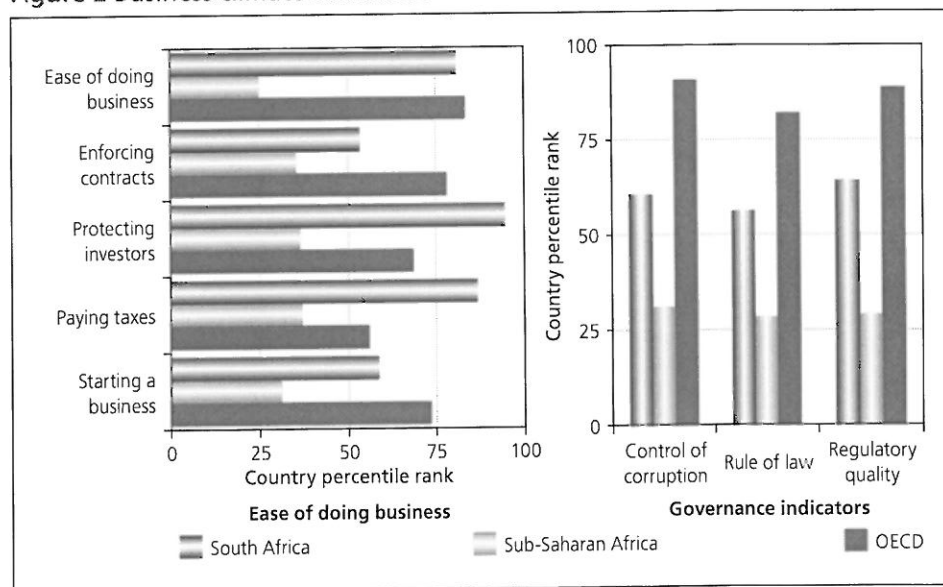
The declining measure for *rule of law* (from 32 to 30) reflects on the high levels of crime and the institutional capacity of the justice system to manage the rule of law. Recent submissions by the Institute for Security Studies (ISS) that the South African Police Service (SAPS) may have deliberately used a misleading method of calculation for the 2012/2013 crime statistics further complicates perceptions about the integrity of the justice system. If information such as a 14% conviction rate for murder and an 8% conviction rate for sexual offences are included in the equation, the decline in the rule of law-measure seems justified. Events at Marikana where 39 miners were killed by police and the numerous court cases and investigations involving the former head of crime intelligence, Richard Mdluli, and the Commissioner of Police, Riah Phiyega add to the negative reviews of the rule of law in South Africa.

*Individual rights and responsibilities* is comparatively high and a relatively stable indicator of risk since 1994. It is more likely that structural deficiencies such as high unemployment and poor service delivery will affect this indicator of risk, rather than a deliberate encroachment on civil society interests by authoritarian tendencies within the government or the state. However, the plethora of civil society interest formations and the rather vigilant media should be credited for high levels of civility in endeavors to reclaim or defend the special domain of liberty and individual freedom between state and society. This indicator is closely related to the *vigilant media and civil society* indicator which reflects on the statutory and constitutional regime which allows for the civil society to defend civil liberties and individual freedom in a tandem of forces.

*Racial goodwill* has been stable ever since the Nelson Mandela presidency to the extent that the South African polity could be described as race-sensitive, but race as a variable might not be a dominant determinant in the natural dynamics of contest and contestation. Similarly ethnicity is not a necessary independent variable in the complex equation of contending regime preferences in post-conflict South Africa.

*Good citizenship* will always be a contested variable with societal relations marred by high levels of crime, polarising relative deprivation (manifested in service delivery violence), high levels of unemployment and a relatively weak – and often absent – state. Statistics South Africa released a report in 2013 which reflected rather despondently on the sociological attributes of the nuclear family in South Africa, especially the capacity of the family structure to provide infants with the protective conditions required for upward socio-economic mobility. Children under the age of five comprise 10% of the total population, but only 33% of them live with both their parents in previously disadvantage families. This statistic should be compared to that of White South African children living with both parents – which is 87% (Statistics South Africa 2013:77). Roodt (2013:89), reflecting on this social and economic

Figure 2 Business climate indicators



Source: World Bank – doing business and governance matters databases

divisions, refer to the demographic dividend of Whites which provide for a sociological (demographic) platform from which to launch socio-economic mobility.

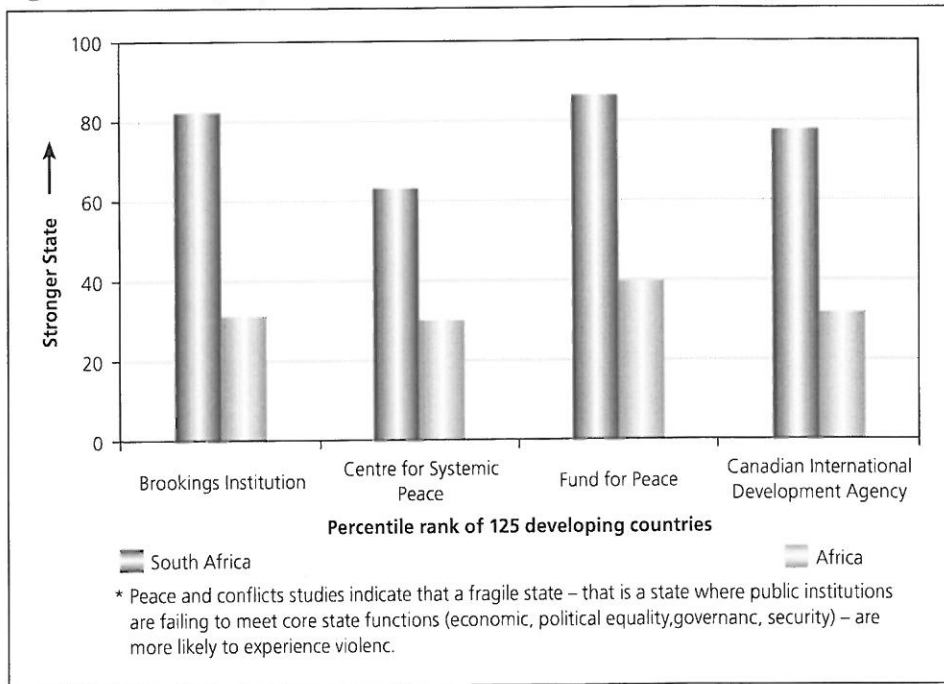
This very same statistic and argument apply to the *liberation of the poor* indicator. Social, political and economic liberation rely heavily on a sound education, the opportunity to develop economically and sociological support structures. The gradual, but measurable decline of such structures might be the greatest indicator of medium to long-term social and political risk (also see reference to SAIRR Report 2013).

Perhaps the most disconcerting indicator of risk is that of *effective government*. The macro-economic management of South Africa is often praised for providing a measurable degree of social and political predictability. However, even though the economy attracted USD1,9 billion over the past 19 years, since the inception of the democratic regime, it is still a comparatively low figure, and possibly the most pertinent reason why the economy has only grown at an annual average of 3,5% during that time (SAIRR Report 2013).

To a significant extent the perception of an effective government will not only attract Foreign Direct Investment (FDI), but also instill the confidence in domestic capital owners to reinvest profits in the national economy (Roodt 2013:89). Corruption, service delivery violence, tender fraud and the capacity of Chapter 9 institutions to provide oversight all play varying roles in shaping perceptions of the political will to enforce effective government – also see figure 2. These are the variables Goldman Sachs (2013) refer to when the suggestion is made that South Africa urgently requires an *investment friendly environment*.

Normal contest and contestation in a developing political economy such as South Africa should not necessarily be viewed through a deterministic and negative prism. Even rather robust and confrontational demeanors still fit in well with the rules and rituals of the most established democracies. South Africa has a very robust civil society and policy is often contested within the ruling alliance as well as within the state. Conflict resolution and even mediation are not only

Figure 3 State fragility indexes\*



Source: Brookings Institution, Centre for Systemic Peace, Fund for Peace, Canadian International Development Agency

prolonged events, but also leaves the impression of relative instability in the policy formulation process. Even the implementation process can be cumbersome and convoluted by contending regime preferences. Doing business in such an environment can be expensive and bureaucratic to the extent that it detrimentally impacts upon the flow of direct foreign investment into the country as well as on capital investments from local resources into the economy.

The South African state is therefore considered to be consolidated and stable, but not necessarily in a libertarian sense, and it is not embedded in the rituals and regime-conditions of a constitutional democracy. That, however, does not mean that the broad confines of constitutional responsibilities and obligations are not honoured. The state in South Africa is not challenged by a dominant authority within society, even though it could be postulated that authority is often dispersed beyond the reach and scope of the state. The consequence is that the cost of business is often exorbitant and that the private sector has to invest in infrastructure and social responsibility programmes to legitimise its presence. It may also mean the opportunistic political and economic interests endeavour to latch onto the managers of the process of production and to some extent *informalise* both authority and profit. The greatest challenge for developing economies is to regulate and formalise its substantial and unstable informal economy.

## CONCLUSION

If it is assumed the electorate is swayed in the voting behaviour by rational choice, it is possible to list a large number of factors which will be considered by each individual

voter in anticipation of casting his/her vote. The determinism of rational choice, however, may well dictate a completely different, or at least varying, individual or collective consciousness of perceived political and or economic risks, and therefore, alter electoral behaviour accordingly or in a much more unpredictable fashion. It is often argued that in any electoral polity, perception determines political behaviour as much as informed or rational choice, and that ideology or contending perceptions of justice and social order – depending on the scholarly sophistication of the electorate – are all blended into the complex mix of sociological diversity. Where low levels of formal education prevail or society is largely rural (as opposed to largely urban) or the political economy is marred by poverty and unemployment (as opposed to those of a broadly middleclass economy with relatively containable unemployment) it can be expected that even rational choice – under those deprived circumstances – will be influenced disproportionately by intuition, fear, relative deprivation or historical narratives as opposed to political and economic realities. The durability of liberationist movements in liberal democratic experiments is often explained – providing for varying epistemological justifications – in the realms of this theory or discourse.

South Africa, however, is a constitutional state with a broadly prevailing consensus about the greater good being served by a universal adherence to the rule of law. While the electoral regime may not have manifested in a competitive process, the outcomes have always been at least relatively free and the legitimacy of the result was unquestionable. The 2014 election is generally predicted to be more competitive than any other – national and provincial or local – since 1994 and it could be reasoned that depending on how political risk is defined, this could also be the election with the indicators of risk scaling on the negative side more than ever before.

Going into the 2014 election, the ruling party may do well by considering the risks the following presents to the ideals of stable political and economic governance: the rise of new electoral contenders; structural inadequacies enforcing low levels of productivity; declining investor-confidence; low savings due to high levels of taxation on the middle class and businesses and low economic growth. The other risk factors that are identified by this article are record-high levels of both private and public debt; oversized, unproductive and overpaid public sector; decline in employment opportunities; the systemic deterioration of education and health services; policy uncertainty due to unstable compromises within the tri-partite alliance (the cost of not acting); underinvestment in infrastructure due to debt burden of the state as well as the instability in the economy due to fragmentation of labour regime and worker interests.

## REFERENCES

- Bernstein, P.L. 1996. *Against the Gods: The Remarkable Story of Risk*. New York: John Wiley & Sons.
- Bremmer, I. 2005. Managing Risk in an Unstable World. *Harvard Business Review*. June.
- Bremmer, I. 2007. How to Calculate Political Risk. *Inc. Magazine*.
- Business Times*. Studies point to 10 years of SA decline. 17 November 2013.
- Canadian International Development Agency. 2013. Bookings Institution, Center for Systemic Peace.



- Cleary, S. and Malleret, T. 2006. *Resilience to Risk: Business Success in Turbulent Times*. Cape Town: Human & Rousseau.
- Goldman Sachs Report. 2013. *Two Decades of Freedom: A Twenty Year Review of South Africa*. <http://www.goldmansachs.com/our-thinking/focus-on/growth-markets/colin-coleman/20-yrs-of-freedom.pdf>.
- Guy, L. and Kamga, W. 1998. *Political Risk and Foreign Direct Investment*. Faculty of Economics and Statistics, University of Konstanz.
- Jeffrey, D.S. Winter 1984. A Theoretical Perspective on Political Risk. *Journal of International Business Studies*, 15(3).
- Jodice, D.A. 1985. *Political Risk Assessment: An Annotated Bibliography*. Greenwood Press.
- Johnson, R.W. 2009. *South Africa's Brave New World: The Beloved Country Since the End of Apartheid*. Penguin: Johannesburg.
- Mangcu, X. 2008. *To the Brink: The State of Democracy in South Africa*. University of KwaZulu Natal Press.
- Mckeller, R. 2010. *A Short Guide to Political Risk*. London:Gower.
- National Treasury. 2013. South Africa government debt to GDP. [www.tradingeconomics.com](http://www.tradingeconomics.com). Accessed on 4 October 2013.
- Office of the Auditor-General. 2013. *Report of the Auditor-General*. Pretoria: Government Printer.
- Putnam, R.D. 2002. *The Role of Social Development in Social Capital Development*. Cambridge: Cambridge University Press.
- Roodt, D. (with Retief, L.). 2013. *Tax, Lies and Red tape*. Cape Town: Zebra Press.
- Schussler, M. Interview: 12 October 2013.
- Statistics South Africa. 2013. *Annual Assessment Report*. Pretoria.
- Statistics South Africa. 2013. *South Africa's Young Children: Their Parents and Home Environment 2012*. November, 2013. Pretoria.
- Van Wyk, J.J. 2006. *Risk Formation and Management in International Business*. Thesis: University of Tilburg: Tilburg.
- World Bank. 2013. Doing business and governance data bases.