

important Benchmarks



South Africa faces considerable challenges over the course of the next decade, but we must not forget the progress we've made since 1994. Understanding this will enable us to build on our undeniable successes as we set about the task of overcoming the many challenges that lie ahead.

The First Decade of Freedom has seen South Africa turn its economy around: establish the most progressive constitution in the world; provide massive delivery in terms of access to water, sanitation, housing, electricity and land; and make major improvements to the education and criminal justice systems.

Our economy now has a world-class stock exchange and banking sector, excellent corporate governance, a strong commitment to the triple bottom line and corporate social investment, and a continually improving global credit rating.

Few South Africans are aware of just how much these measures have improved – partly because Government is only now starting to communicate its achievements, and partly because the media needs to do more in celebrating good news. Talking these achievements up is critical if we are to stimulate domestic and foreign investment, improve our own confidence levels and reap the social benefits of faster growth.

measuring up in terms of progress →



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The Nation Is Going Strong

Louis Fourie & JP Landman
 Authors, SA How Are You?

Measuring a country's progress is not an exact science, and remaining objective when you measure your own country is difficult. As socio-economic analysts for the last 20 years, we have used a disciplined, ten-point framework to ensure some degree of sanity in our construction of big-picture opinions on the state and future of South Africa.

Our scorecard does not measure perfection of outcome. It measures progress relative to where we came from, and offers an indication of the momentum of that progress. The evaluation does not allow for nit-picking and micro-sidetracking, but is nevertheless based on fairly extensive quantitative analyses, practical involvement and grass-roots common sense.

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The weightings of the ten areas on which we express an opinion are kept equal to keep the evaluation simple. We respect the fact that these weightings differ in practice and may vary under different circumstances, but we don't expect the outcome of the exercise to differ materially, even should these weightings be modified.

All in all, we have witnessed a marginal improvement in the overall "mark" South Africa gets compared to our last update in 2002, as published in our book SA, How Are You? The country remains a "C-student", however, and it will not be easy for us to simply jump a symbol.

To fully appreciate this scorecard all South Africans will see that, ten years down the road of transformation, there is a lot to be proud of. There are still considerable challenges to be overcome before we

can embed our miracle, but to be where we are today is remarkable. South Africa remains a case study of what is possible when a diverse nation decides to constructively unite and opt for a future of hope instead of hate and revenge.

Editorial Prerogative

The 1985, 2002 and 2004 scores are the work of the authors Louis Fourie and JP Landman. The 2014 forecast is that of the editors. We have projected the score of what we think is possible in 2014, and we have put forward a number of events "Notes" that need to take place to enable these scores to be achieved.

Scorecard

1) Do we enjoy democracy and freedom of speech? YES

1985	2002	2004	2014 *
20%	80%	80%	90%

The 2004 Election was confirmation of another step towards democratic maturity. Some voters are also becoming more issue-sensitive instead of ideology-driven when selecting their public representatives, confirming this growing maturity. The latter, however, will remain with us for a while to come. South Africans are increasingly reverting to their democratic rights and the legal system when they want to influence Government decisions (civil society's reaction to our HIV/Aids policy paralysis demonstrates this tendency).



a balanced perspective - a prerequisite for a constructive one

Free speech is as strong as ever and media diversity shows strong growth. We have world-class institutions, such as the Constitutional Court and the Scorpions, which have demonstrated a commitment to public accountability, good governance and fairness.

* Editors' Note

There will be a number of high-level summits between Government, Business and the media. The media will recognise that it has a role to play in nation building and will become more diligent in creating a level of balance between positive, neutral and negative news reports. Civil society action groups will grow to become the strongest protection of human rights and democracy outside of Government and the Constitutional Court.

2) Are our macroeconomic policymakers doing the right things? YES

1985	2002	2004	2014 *
40%	80%	80%	90%

We are internationally respected for consistent, best-practice policy conduct. In some instances Government is actually blamed for being too classic in its approach, given our developing nation challenges and high unemployment rate. Clearly, Government has taken the view that there is no shortcut to long-term prosperity.

* Editors' Note

The ambit of policymaking will have been extended to every Government department by 2014. The focus will be on the quality of the Ministers, the quality of policies developed and the quality of policy implementation.

Perhaps with the exception of one or two departments, President Mbeki's implementation and delivery criteria will have been met, and Government will generally be regarded as having brought new solutions to problems that affect the developing world.

Much of what has been achieved in South Africa will set global benchmarks both for developing and developed countries (see chapter 20).

3) Do we live in an open economy? YES

1985	2002	2004	2014 *
30%	80%	80%	90%

The fact that the economy is not even guarded against an extremely volatile currency shows great policy consistency in terms of being a free-market player. This openness is probably the overriding factor behind massive labour productivity increases in the last ten years.

* Editors' Note

South Africa's economy will be growing at between four and six percent in 2014. Many of the social issues that currently bedevil our society (unemployment, poverty and joblessness) will have been eroded but not eliminated by ten years of economic growth (that's significantly ahead of population growth). The foreign exchange market will have been completely freed up but banking will be subject to scrutiny due to growing anti-terrorism/money laundering activity.

4) Does our education system turn out highly skilled people? NOT ENOUGH

1985	2002	2004	2014 *
40%	50%	50%	70%

South Africa has a huge education challenge - partly because of our unique history, but also because of changing prerequisites for employment in a new type of economy.

Although very promising private initiatives have been established since the early Nineties, and equal access to schooling has been restored, the poorer part of our population still receives sub-standard education.

We need creative, decentralised solutions for our education problem. An education breakthrough is the only solution for structural unemployment and for sustainable growth in national wealth.

* Editors' Note

By 2014 two major occurrences will have taken place that will have dramatically affected skill levels in South Africa. Firstly, the educational infrastructure backlog will have been overcome - all schools will have electricity, sanitation, fresh water and connectivity; and teaching standards will improve. Secondly, two generations of multiracial school leavers and university graduates will be in the workplace - suitably skilled and passionate to prove themselves in a strongly positive economy.

5) Are our property rights under threat? NO

1985	2002	2004	2014 *
30%	70%	80%	90%

Large-scale land redistribution and restitution has been conducted in a fair and organised manner. Compared with Canada, New Zealand and Australia, South Africa's restitution initiatives are setting world standards. Individual ownership of property forms the core of civil order and economic progress. By making inroads to the inequality of wealth so prevalent in South Africa, we are ensuring that property rights will always be safe. ▷

Building New Benchmarks

The principles common to the three pillars of the triple bottom line are also the fundamental concepts that lie at the root of corporate governance. Consequently, corporate governance is dealt with separately in the Index. For companies in the Index to achieve the integrated and inclusive approach advocated by the King Code, they should display good corporate governance standards in all their activities, both in principle and in practice.

In the development of the Index, the Exchange believes it was important to include as many industries as possible to ensure an economy-wide embracing of the principles. Therefore the JSE decided that, at least initially, the Index would not have any exclusions or down-weightings for particular industries. But given that Business is at the very beginning of its understanding of good practice in the sustainability arena, the JSE has not sought to set the most definitive or idealistic criteria possible.



Over time it's expected that the generally accepted practice in relation to good corporate citizenship, and hence the Index Criteria, will become more demanding and reward those companies in the Index with greater investor confidence and a stronger profile. It is also hoped that the Index Criteria will become a benchmark for all citizens to aspire to, such that we

will over time develop a truly national understanding of the importance and benefits of sustainable business practices for our long-term survival as a nation.

The result for the JSE and participating companies is that stakeholders are starting to realise that although each has a key role to play in the national economy, it is possible to fulfil that role without losing touch with one's impact on staff, customers, community and environment.

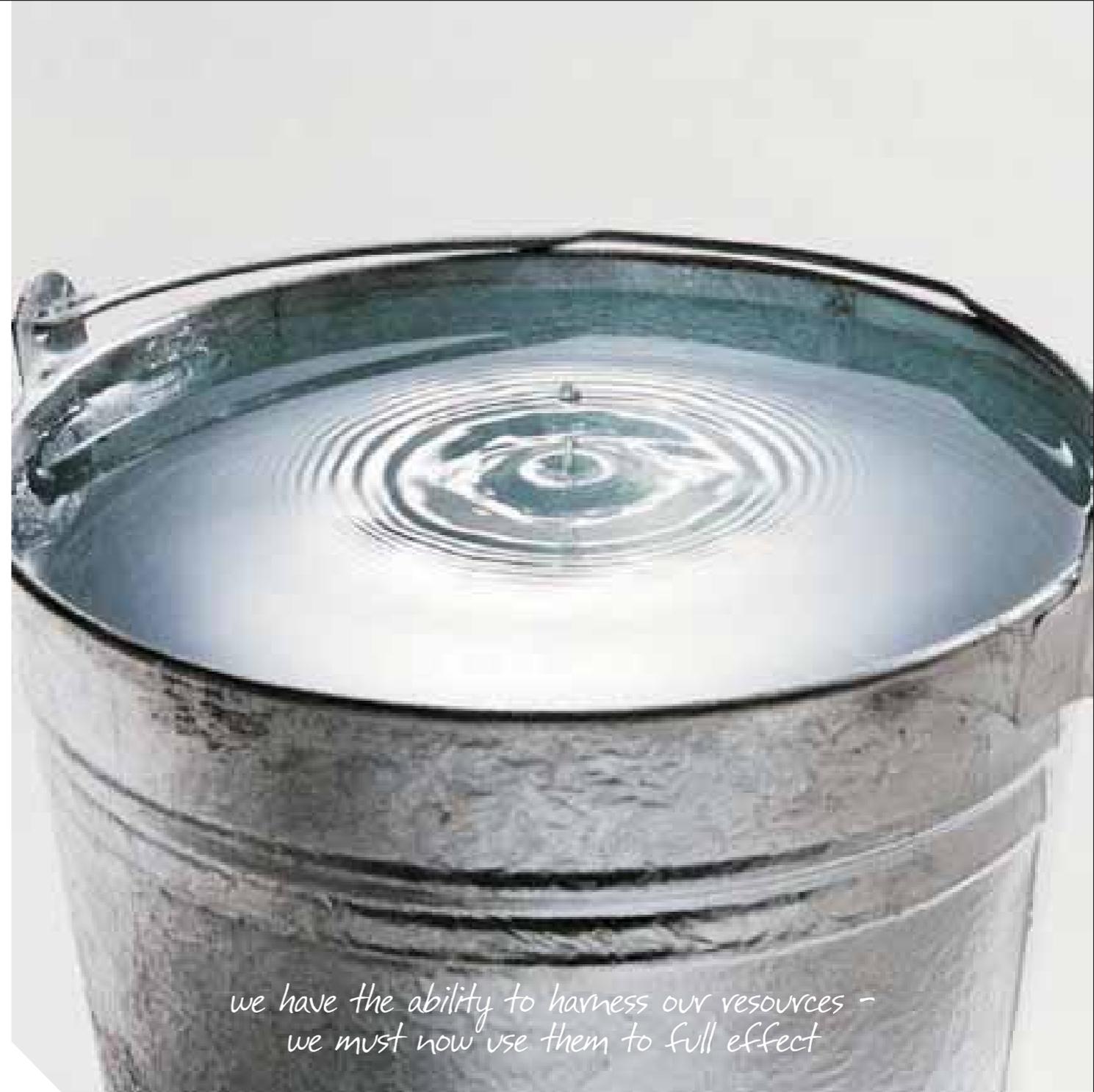
The JSE believes that the SRI Index provides the investor with a unique tool to assess and value company performance in a broader sense, thus influencing the behaviour of both investors and the company to respond to the priorities of sustainability and social responsibility in South Africa. If its measure of company behaviour accurately reflects South African realities, then the Index's contribution to aligning company behaviour with socioeconomic and environmental

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Mainstreaming the ethos of sustainability in corporate culture will greatly enhance our socioeconomic dynamics

imperatives could be significant.

When such an organisational ethos is mainstreamed, it starts to indelibly affect the corporate culture. Where this ethos is about responsible business practice and respect for the greater socio-economic environment, it creates a culture of humility and mutual respect. Business will garner strong and focused human capital by making employees feel respected, needed and motivated. There is



we have the ability to harness our resources - we must now use them to full effect

Editors' View

Sustainability: A New Corporate Philosophy

In the area of sustainability, South Africa has been a pioneer. Our trans-frontier parks, our eco-tourism and our rehabilitation of derelict farmland are good examples. But the challenge of sustainability remains significant.

As Ian Player put it: "Our generation is the last generation that has this choice - the next one won't." **We do have the potential to become world leaders in the arena of sustainability**, and the major "push" needs to come from Business. In many respects, Government understands this; it's now up to Business to come to the party via the SRI.

American futurist Sue Mehrrens says, "The West misses the basic humanity in reality, and business management stuck in this mode

will never succeed in an African context... a country in the Southern Hemisphere, with an industrial base, a motivating past, an independent spirit, a sufficient set of challenges, a high degree of diversity, small size and a sense of self-sufficiency will be the leader of the future... as the law of the retarding lead [the West] takes hold.

"South Africa does need to play catch-up with the West which is, in reality, essentially unsustainable, erroneous and bankrupt - morally and ethically."

The SRI is a good example of how South Africa is taking steps towards leading sustainability in the world.

In essence, what is being measured here is the "South African Reputation" among South Africans. As Davis Young points out in Building Your Company's Good Name, in the context of corporate reputation, "It takes years to build a sound reputation, and it can be destroyed in an instant." Over the past ten years Government, Business and civil society have, in different ways, contributed to the building of our reputation, both internally and externally. The positive changes in foreign and local direct investment, business and consumer confidence all reflect an improving South African "reputation index".

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But, if we were to liken ourselves to a corporation, we would acknowledge that reputation management is a key strategic issue, it would be part of our national agenda, and parties that wilfully undermine it would be severely censured. When Nike was exposed for exploitative child labour practices, heads rolled; when Coca-Cola tried to cover up packaging defects, heads rolled. Today, reputation management is part of every corporate's monthly Board Meeting – every employee has a role to play in protecting, enhancing and supporting reputational practices.

In our view, Government has worked really hard at improving South Africa's reputation among all its stakeholders. Our economy is sound, crime is down, tourism is up, social services are being delivered, unemployment is reducing, poverty receives great attention... the list is substantial. Our President has claimed the high ground in many an international forum, we have won the 2010 Fifa World Cup bid and we have breathed life into the African Renaissance. Reputation takes time to build; over the past ten years we have considerably enhanced our reputation, but it can be destroyed in an instant.



For their part, business leaders have also contributed to building the South African reputation in many ways. Their teamwork with Government at Davos, their work at the SA Foundation, their contribution to the Big Business Working Group, their deliberations at Business Unity South Africa, the establishment and contribution of Business Against Crime, in particular, their management skill and expertise within our multinational corporates, have resulted in many a laudatory observation.

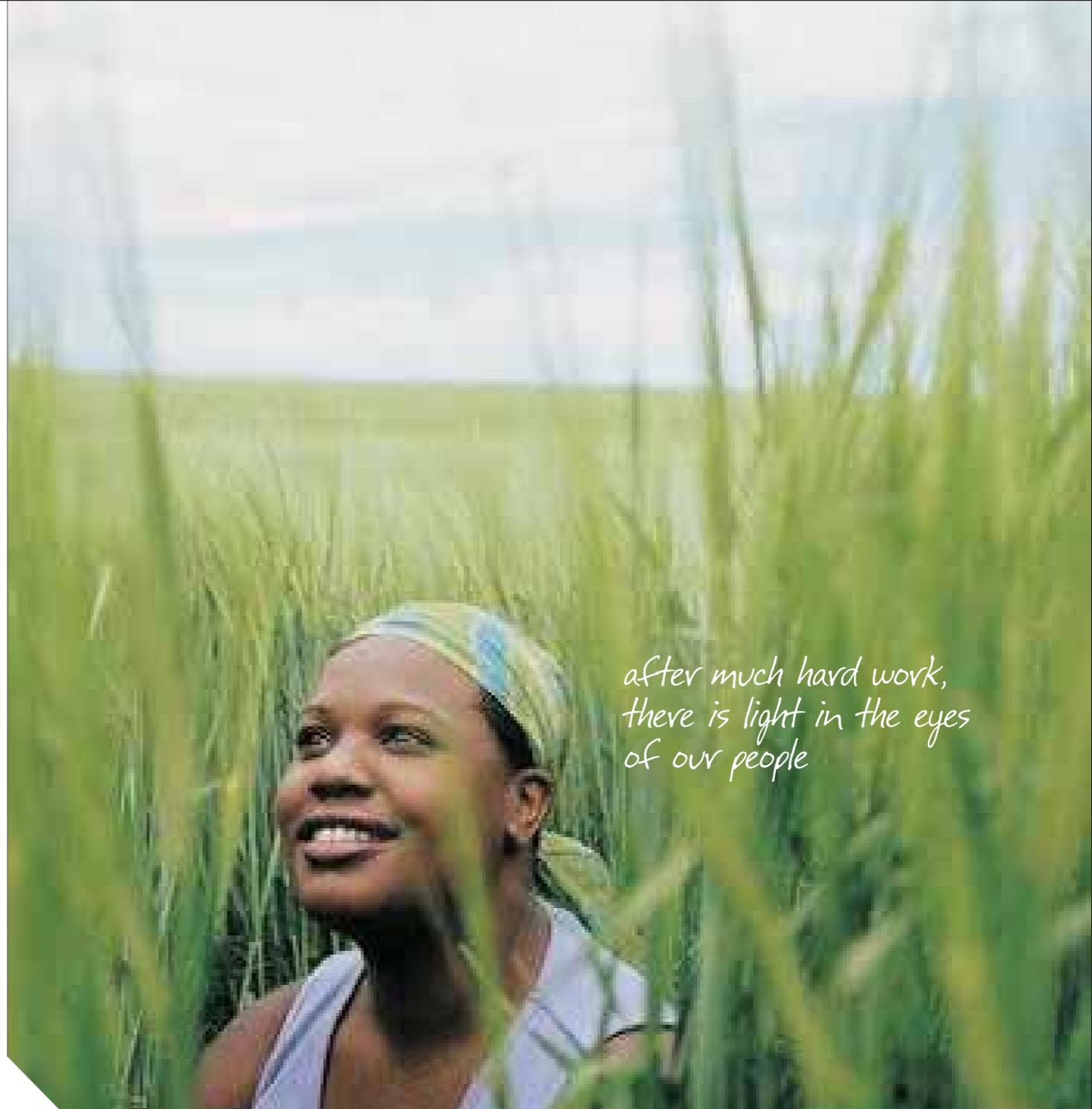
Likewise civil society (the barometer of the democratic health of the nation), with its vibrant NGO and Community Based Organisation sectors, is making a substantial contribution in a wide range of fields.

Our leading editors need to commit to balancing critical comment with recognition of the amazing path travelled thus far

The key in any reputation management campaign is the management of the media message – in South Africa's case, both locally and abroad. In a liberal democracy we need healthy, free and critical Press and we are blessed in South Africa with this freedom. We've warned that Afro-pessimism is an entrenched attitude among many international and local journalists but in an emerging and fledgling nation the Press has a responsibility beyond liberal criticism. Our leading editors need to commit to a programme of balancing critical comment with recognition of the amazing path travelled thus far. Anything less would be a death knell to reputation and would delay much-needed, privately funded foreign and local domestic investment and job creation. They must be persuaded.

Likewise, Government needs to recognise that it too has a role to promote the product South Africa and manage its reputation. Communication by Government to both local and international stakeholders is key. Much has been done recently to improve Government communications – but it is just a start.

We have come very far in the last ten years, and we have potentially the most exciting decade in our history ahead of us. But we are delicately poised, and we live in a troubled world. If we all pull together, in our own way, to promote and build our reputation over the next decade, the key indexes of Foreign Direct Investment, Domestic Direct Investment, Business Confidence and Consumer Confidence will continue to rise. But if certain sectors break rank, and wilfully undermine much of the progress that has been achieved, our reputation



after much hard work, there is light in the eyes of our people