

A Quantitative Reckoning

The Lost Decade

◆ WHAT THE DATA REVEALS — A FULL-SPECTRUM BACKTEST OF THE DISTANCE BETWEEN SA'S 2010 BALANCE SHEET AND ITS 2025 REALITY ◆

ANALYTICAL FRAMEWORK · HISTORICAL BACKTEST

The Window Was *Open*. We Looked Away.

In 2010, South Africa held the best hand any emerging market had been dealt in a generation. Low debt. Intact institutions. Global goodwill. A commodity cycle still running. A national development blueprint being written. This is not an obituary. It is a forensic accounting of what the data shows — the divergence between what was possible and what was chosen.

2010

THE LAST CLEAN FORK — DEBT AT 31.5% · INSTITUTIONS INTACT · RENEWABLE PROGRAMME AVAILABLE · DEVELOPMENT PLAN IN DRAFT

31.5%

DEBT-TO-GDP · 2010 · SWF TERRITORY

~78%

DEBT-TO-GDP · 2025 · -146% INCREASE

R800bn

EST. CUMULATIVE SOE BAILOUTS 2010-2025

42-43%

BROAD UNEMPLOYMENT 2025 (EXPANDED)

TWO ROADS FROM 2010

STARTING POINT

2010

31.5% Debt/GDP
Intact institutions
World Cup glow
Dev plan in draft
Renewables available

◀ PATH CHOSEN — THE REALITY

The Patronage Ballroom

DEBT/GDP 2025	~78%
GDP/CAPITA	\$6,300-6,500
LOAD SHEDDING PEAK	332 days
RAIL VOLUMES	1990s
SOE BAILOUTS	~R800bn
INSTITUTIONAL TRUST	Critical

▶ PATH AVAILABLE — THE COUNTERFACTUAL

The Delivery Basement

DEBT/GDP 2025	35-40%
GDP/CAPITA	~\$9,800
LOAD SHEDDING	None
RAIL VOLUMES	+30%
SOE BAILOUTS	~R150bn
INSTITUTIONAL TRUST	Intact

THE FISCAL FORK · 2010-2025

From Sovereign Wealth

01 Territory to Debt Crisis

South Africa's 31.5% Debt-to-GDP ratio in 2010 was not just good — it was extraordinary. For context, Germany sat at 82%, the UK at 78%, and the United States at 95% in the same year. SA's fiscal position gave it what economists call *policy space* — the room to invest countercyclically, absorb shocks, and fund long-horizon social infrastructure without financial constraint.

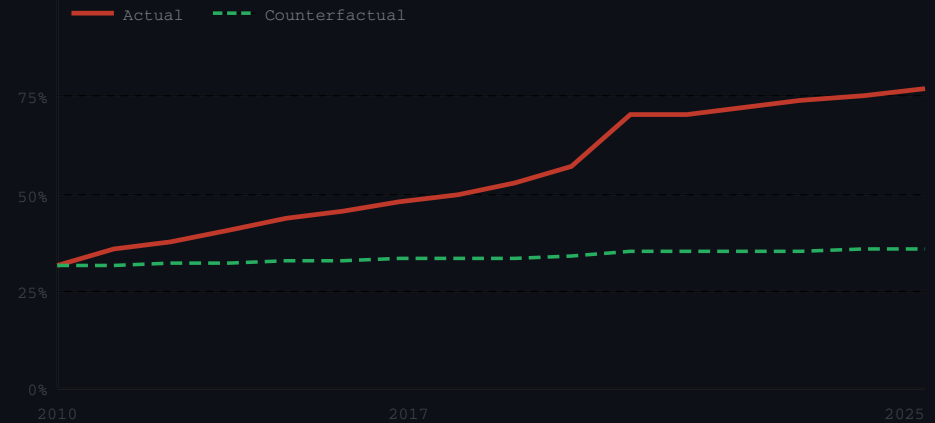
"We traded long-term basement capacity for short-term ballroom patronage. Every rand that went to a bailout was a rand that could have compounded."

By 2025, that ratio has risen to approximately 77-79% — a ~146% increase in 15 years. With interest payments now consuming approximately 22 cents of every rand the government collects — confirmed by the 2025 Budget — that 22 cents buys nothing. It builds no roads, trains no teachers, fixes no pipe.

THE COMPOUND EFFECT

Had SA maintained a 35-40% debt trajectory, the annual interest saving by 2025 would approach R180-200bn — enough to fund the entire national health budget twice over, every year.

DEBT-TO-GDP TRAJECTORY 2010-2025



◆ Sources: OECD, National Treasury ◆ Counterfactual: fiscal discipline maintained from 2010

31.5%

DEBT/GDP 2010

↑ SWF Territory

~47%

DEBT/GDP 2016

↑ Junk Zone

~78%

DEBT/GDP 2025

↑ ~+46pts

22%

BUDGET: DEBT SERVICE

Buy Nothing

THE COAL TRAP · ESKOM 2010-2025

02 Fixing a 2010 Mistake at 10× the Original Cost

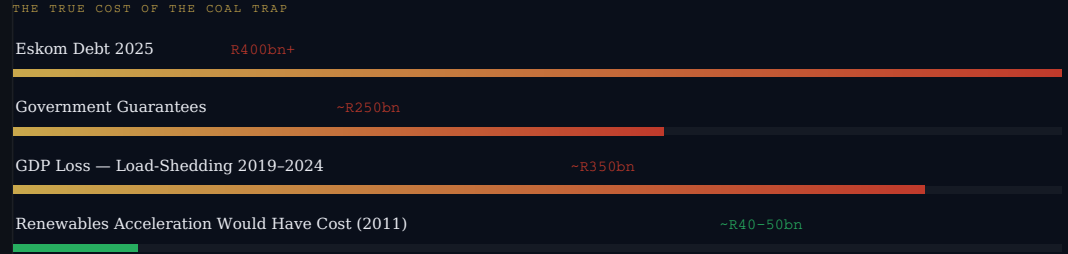
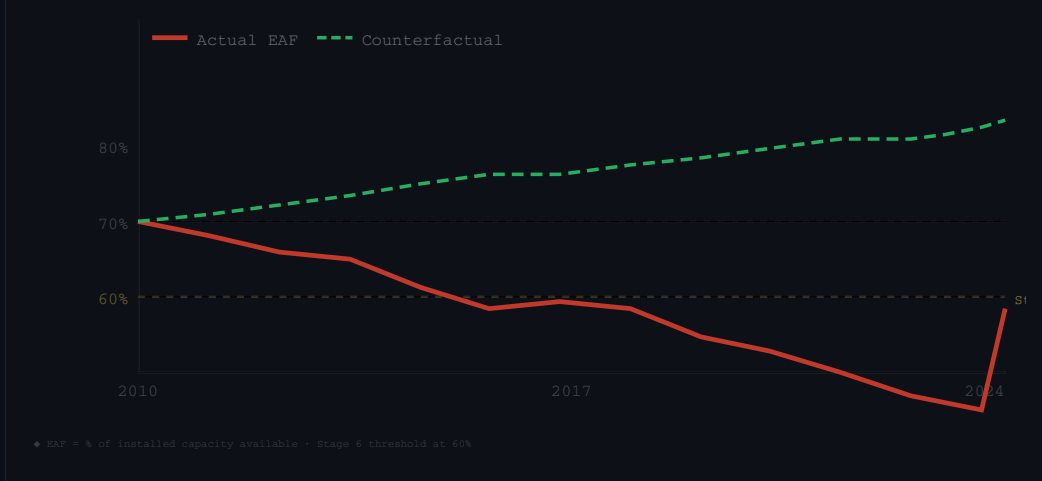
ENERGY AVAILABILITY FACTOR (EAF) 2010-2024

In 2010, a renewable energy independent power producer programme was being designed — ready to accept private capital at near-zero cost to the state. Solar PV would drop 90% in cost between 2010 and 2020.

The decision not to accelerate was political: Eskom lobbied aggressively against independent producers because they threatened its monopoly — central to the procurement ecosystem that served political interests.

THE RENEWABLE WINDOW MISSED

Had the programme been scaled from 2011, SA would have had 8,000-10,000MW of additional capacity by 2018. Stage 4-6 load-shedding — which peaked at 332 days in 2023 — would statistically not have occurred. GDP growth would have been 1.5-2pp higher cumulatively.



TRANSNET · THE MAINTENANCE VS. PROCUREMENT FAILURE

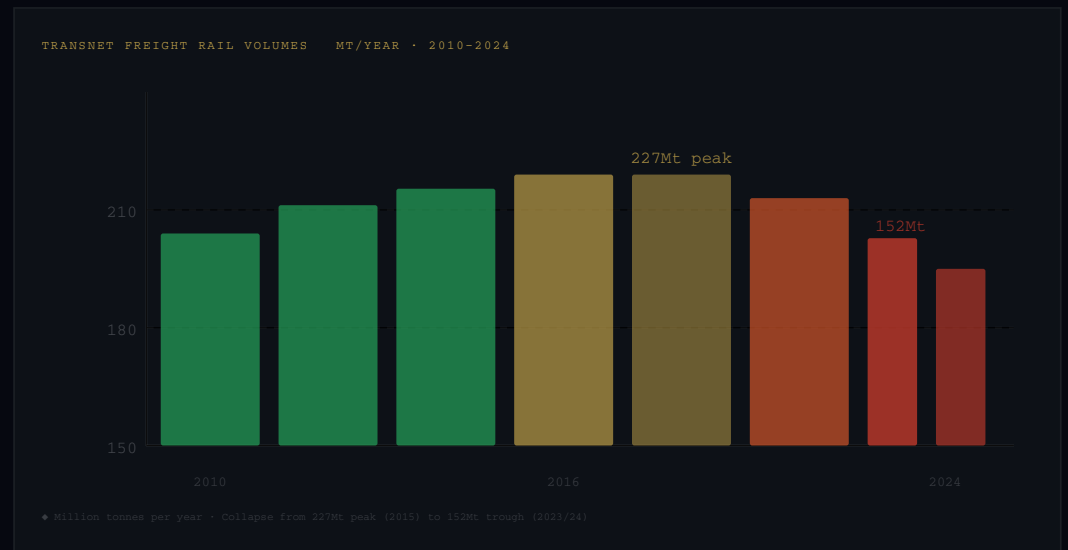
03 From Logistics Giant to 1990s Rail Volumes

Transnet in 2010 was a different institution. A disciplined restructuring era (2004–2009) had transformed it significantly — debt down, non-core assets shed, freight rail and ports sharply focused. Built on the principle that operational efficiency must precede capital expansion.

"Maintenance keeps the trains running. Procurement creates tender opportunities. State capture chose procurement — every time."

What followed was a textbook state capture signature. A R300bn capital programme conceived as a modernisation strategy but executed as a procurement vehicle. Foreign rolling stock contracts structured to maximise intermediary opportunity. The structural failure: the ratio of maintenance to new capital was inverted.

By 2023, rail freight volumes had collapsed to early 1990s levels. Revenue loss at the worst points: an estimated R1bn per week.



PORT	2010 RANK	2022 GLOBAL RANK
Durban Container	~Top 50	361st
Cape Town Port	Competitive	Critical

THE HOSTING MODEL · COST-BENEFIT ANALYSIS

04 The Party That Masked the Termites in the Floor

The 2010 World Cup was real and it was magnificent. The vuvuzelas, the opening ceremony, the host nation's team running further than anyone dared predict — the emotional dividend was genuine. So was some of the infrastructure. The Gautrain is a legitimately good investment. OR Tambo's upgrades matter. These are facts.

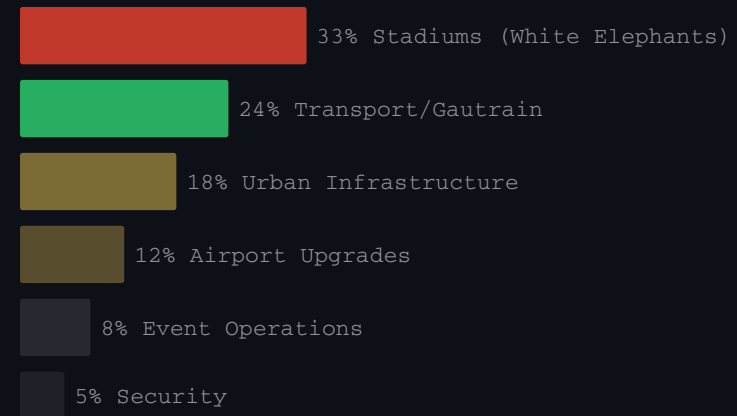
But the honest cost-benefit requires separating the Gautrain from the stadiums, and the infrastructure from the psychological damage. The mega-event hosting model is structurally weighted against host nations: the host carries the full capital cost of purpose-built infrastructure while the commercial value flows primarily outward.

THE WHITE ELEPHANT REGISTER

Stadiums in smaller host cities cost an estimated R600m+ per year combined in maintenance, generating a fraction of that in revenue. Built to mega-event hosting specifications for a 30-day window. Oversized for any realistic post-tournament use.

The real cost was not financial. It was attentional. The euphoria convinced leadership that the system was robust enough to absorb rent-seeking. The termites in the basement could wait. They couldn't.

WORLD CUP SPEND BREAKDOWN R BILLIONS · 2010



* Stadiums represent largest single spend category with lowest post-event return

DECISION CASCADE · 2007-2025

05 Each Door Closed The Next One

State capture is not an event. It is a cascade — each institutional compromise making the next one easier and the reversal harder. The 2010 fork sits in the middle of this cascade: a product of decisions made in 2007-2009 and the incubation ground for decisions that played out in 2012-2018.

None of these were inevitable. Each was a choice — constrained by political economy, yes, but never fully determined by it.

2004-2009

A Disciplined Era

Transnet restructured. Debt reduced, non-core assets shed. The template for competent SOE governance: maintain what you have before expanding what you want.

2007-2009

The Political Shift

A pivotal leadership transition reshapes the ANC's political economy toward patronage-compatibility. Institutions begin slow disassembly through a thousand appointments and redirections.

2010

The World Cup — Peak Green Dashboard

The "False Positive" event. International goodwill, macro metrics green, institutions still largely intact. The last window when the full toolkit was available simultaneously.

2011-2012

Renewable Programme Throttled

Eskom lobbies successfully against IPP acceleration. The energy trap closes. Every year of delay will cost 10× to remediate.

2014-2017

State Capture — Full Expression

Revenue institutions dismantled. Prosecutorial independence compromised. SOE boards captured. Finance Minister removed. 15 years of reform unwound in 3. Skills walk out. Networks move in.

2018

The Reform Presidency — The Repair Begins, Late

Reconstruction from a lower base, with fewer tools, against a tighter clock.

2019-2024

Stage 6 — The Bill Arrives

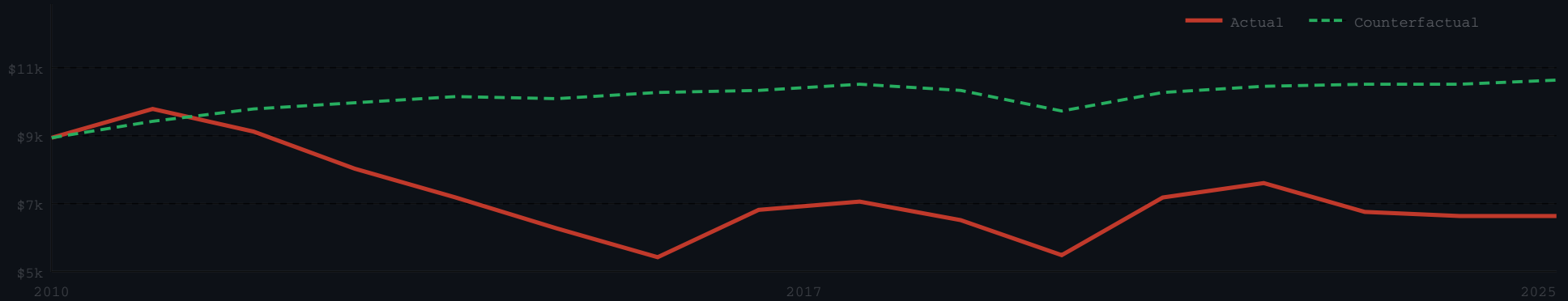
332 days of load-shedding in 2023 — worst on record. Rail at 1990s levels. Debt service 22% of revenue. Load-shedding suspended March 2024 — but structural damage already banked.

COUNTERFACTUAL SUMMARY · 2025

06 What the Scoreboard Could Have Read

METRIC	ACTUAL 2025	COUNTERFACTUAL 2025
Debt-to-GDP <small>OECD confirmed · National Treasury</small>	~77-79% <small>↑ from 31.5% · 2010</small>	35-40% <small>Fiscal discipline maintained</small>
GDP Per Capita (USD) <small>Down from \$8,900 peak in 2011</small>	~\$6,300-6,500 <small>↓ -28% from 2011 peak</small>	~\$9,800 <small>↑ -23% above 2010 baseline</small>
Broad Unemployment <small>Expanded definition · Stats SA</small>	~42-43% <small>Youth: -58-60%</small>	28-32% <small>Youth: -40%</small>
Energy Reliability	Crisis/Recovery <small>332 days in 2023 · Suspended from March 2024</small>	Surplus/Exporting <small>Renewables at scale by 2018</small>
Rail Freight Volumes	1990s levels <small>152Mt trough · Collapsed from 2018</small>	+30% vs 2010 <small>Operational efficiency sustained</small>
SOE Fiscal Drag <small>Cumulative 2010-2025</small>	~R600-800bn <small>Eskom + Transnet + airline + others</small>	~R150bn <small>Governance reform from 2010</small>
Interest as % of Revenue <small>Budget 2025/26 confirmed</small>	~22% <small>Buys nothing · Builds nothing</small>	~8-10% <small>Freeing R180-200bn annually</small>

GDP PER CAPITA — ACTUAL VS. COUNTERFACTUAL USD · 2010-2025



* Counterfactual: Development plan enforcement + renewable acceleration + SOE governance + municipal finance reform from 2010

CHAPTER 07 · MODEL METHODOLOGY · WHAT THIS ANALYSIS HOLDS CONSTANT

What the Backtest *Deliberately Excludes*

A backtest holds one variable constant and asks what changes. This analysis holds **governance quality** as the primary variable. That is its analytical power — and its deliberate limitation. The following four factors were real, consequential, and not fully captured. Naming them is not a retreat from the core argument. It is what makes the argument defensible.

— EXOGENOUS SHOCKS

The World Intervened Too

Three global events would have raised debt even under a well-governed administration. The 2014–2016 commodity price crash devastated mineral revenues. COVID-19 forced an unplanned fiscal expansion — the SRD grant programme alone added meaningful percentage points to the debt trajectory. The post-2022 global rate surge increased debt service costs regardless of how debt was incurred.

WHY THE CORE ARGUMENT STILL HOLDS

Countries that absorbed these shocks with the least lasting damage were those with the lowest pre-shock debt, strongest institutional credibility, and most diversified economies — precisely what the counterfactual path would have produced. A 35% debt ratio entering COVID is a fundamentally different position than 65%. The shocks are real. The governance gap determined how much they hurt.

— SOCIAL & DEMOGRAPHIC COMPLEXITY

Growth Does Not Automatically Fix Structural Inequality

The counterfactual path to ~\$9,800 GDP per capita assumes economic growth translates into broad social improvement. The legacy of spatial apartheid — millions living hours from economic hubs with no viable urban transport — is not a governance variable that resets with a better administration. The pre-existing basic education crisis would likely have capped growth even under disciplined governance.

WHAT THIS MEANS FOR THE MODEL

The counterfactual GDP per capita figure should be read as an upper bound, not a guaranteed outcome. Better-governed SA still reaches a materially higher floor — but the distance to full inclusion requires a separate, longer-horizon analysis beyond this backtest's scope.

Fiscal Discipline Has a Social Price Tag

The model treats ~R800bn in SOE bailouts as pure loss. From a forensic accounting perspective, it is. But in the counterfactual world of 35% debt, the government would have had to make harder decisions about the public sector wage bill and social grants — earlier. Extreme austerity in high-inequality societies carries its own ignition risk the counterfactual does not model.

THE COUNTER TO THE COUNTER

SA's social unrest is itself largely a product of the governance failures documented here. Countries maintaining fiscal discipline while expanding social delivery demonstrate the path is navigable. The cost of peace is real. The cost of the alternative is what the data shows.

The Metrics Are Weighted Towards One Framework

The analysis is anchored in OECD comparators and USD-denominated GDP — the framework governing SA's borrowing costs, credit ratings, and international capital access. The deliberate BRICS+ expansion and SA's evolving positioning reflect a genuine attempt to diversify away from Western financial architecture, a choice with its own internal logic.

THE LIMITATION THIS CREATES

This backtest measures against benchmarks that govern SA's real borrowing costs — constraints that exist regardless of geopolitical preference. A parallel analysis measured against intra-BRICS trade flows would be a genuinely valuable companion piece. It is beyond the scope of this model.

WHAT THIS MODEL IS

A single-variable governance backtest. It asks: holding all other factors equal, what does the data show about the cost of governance choices made between 2010 and 2025? It finds that the governance variable explains the majority of the divergence — and this remains true even after accounting for the external shocks, social complexities and political economy constraints above.

WHAT THIS MODEL IS NOT

A complete account of everything that shaped SA's 2010–2025 trajectory. The commodity crash was real. COVID was real. Spatial inequality is structural. The political cost of austerity is real. This backtest isolates one variable deliberately — because governance was the most actionable, most proximate, and most consequential. That conclusion does not require the others to be zero.

Governance Is the *Ultimate Lead Indicator.*

The 2010 backtest is arguably the most significant in SA's post-apartheid history — not because the inputs were absent, but because they were all present simultaneously. The money was there. The plan was being written. The institutions were intact. As the preceding chapter acknowledges, external shocks were real and consequential. They are not, however, sufficient to explain the full magnitude of the divergence. Countries with comparable exposure but stronger pre-shock governance absorbed them at materially lower cost. The shocks compressed the counterfactual. They did not eliminate it.

What the data shows is that every metric that deteriorated between 2010 and 2025 traces its root cause not to circumstance, but to a failure of what we might call *fiduciary courage*: the willingness to choose the basement over the ballroom, delivery over patronage, the terrain over the dashboard.



The Money Was There

31.5% Debt/GDP gave SA more fiscal headroom than most developed nations.
The binding constraint was never resources.

The Plan Was Written

The development blueprint existed. The renewable energy programme was designed. The municipal reform toolkit was available. The binding constraint was never knowledge.

The Institutions Were Intact

The revenue authority was world-class. The prosecutorial body was functional. Treasury was credible. The Constitutional Court was active. The binding constraint was never capacity — it was the political will to protect it.

"The terrain always wins over the map. The basement always claims the ballroom. The only question the 2010 backtest leaves unanswered is the one that cannot be modelled: what makes a leadership choose the long game over the short one, when the short game pays today and the long game pays a generation hence?"