

THE EXCHANGE RATE CHANNEL AND MONETARY POLICY TRANSMISSION IN NAMIBIA

J.P. Sheefeni¹ & M. Ocran²

ABSTRACT

This paper investigates the exchange rate channel of monetary policy transmission in Namibia over the quarterly 1993:Q1 - 2011:Q4. The empirical analysis was conducted using innovation accounting tools such as generalised impulse response functions and forecast error variance decompositions obtained from a structural vector autoregressive model (SVAR). The results show that the exchange rate channel is operational. That is, changes in the monetary policy instruments affect the exchange rate variable which in turn transmits the shocks to output and prices but weak and not so significant.

Keywords: Namibia; monetary policy; exchange rate channel; fixed exchange rate; structural vector auto-regression.

INTRODUCTION

Monetary policy conduct in Namibia incorporated the practice of fixed exchange rate regimes whereby the exchange rate is the main policy instrument used to control inflation in order to maintain financial stability. This has been the practice since 1990 at the time of independence, when Namibia remained in the CMA. Subsequent to joining the CMA, a separate bilateral agreement between Namibia and South Africa (SA) on features of the peg was set in 1992, in anticipation of the one-to-one peg of the Namibian dollar to the SA rand, formally instituted in 1993 after the introduction of the Namibian currency. This is in line with the requirement which demands the need to fulfil the backing rules. The rand remains legal tender in Namibia (Kalenga, 2001: 3).

As a member of a CMA, Namibia does not engage in any active discretionary monetary policy because it is primarily subordinated to SA's monetary policy conduct. Hence, economic agents' expectations are heavily dependent on the movements of the nominal exchange rate. That is, under this arrangement maintenance of the exchange rate peg as an intermediate target ensures the ultimate goal of price stability by importing stable inflation from SA, the anchor country (Kalenga, 2001:4).

Developments of the SA rand have both direct and indirect impact on the Namibia dollar, particularly via imported goods, especially given the fact that SA is Namibia's main trading partner. Records show that about 80 per cent of Namibia's trade is with SA and it is expected that imports from South Africa play a significant role in determining inflation in Namibia. Economic theory states that under a fixed exchange rate regime, monetary policy can affect the real exchange rate through prices while holding the nominal exchange rate fixed. There is no study that has empirically examined this channel in Namibia. Therefore, the objective of this study is to examine the effects of the impact of the developments in SA rand in the transmission mechanisms of monetary policy in Namibia, in particular the exchange rate channel. In investigating this channel of transmission the paper is divided into five sections. Section two presents the theoretical and empirical literature review on this channel. The methodology adopted

¹Dr J.P. Sheefeni, Department of Economics, Nelson Mandela Metropolitan University, Port Elizabeth, South Africa.

²Professor M. Ocran, Department of Economics, Nelson Mandela Metropolitan University, Port Elizabeth, South Africa.

in estimating the exchange rate channel is discussed in section three. Section four discusses the results from the empirical analysis. Section five concludes the study.

LITERATURE REVIEW

Theoretical literature

The transmission mechanism of the exchange rate works directly through its impact on import prices aggregate demand via net exports (Ramos-Francia & Sidaoui, 2008: 369). The analysis of this channel of transmission can be divided into two parts: (i) the pass-through from the policy interest rate to the exchange rate and (ii) the pass-through from the exchange rate to the real economy.

Pass-through from the policy interest rate to the exchange rate: A policy rate change by the central bank also induces a change on return on domestic investments relative to foreign investments. The interest rate differential leads to capital outflows and affects the relative exchange rate. Therefore, central banks make serious attempts to keep the interest rate differential stable to facilitate capital account stability and to keep the bilateral exchange rate from being too volatile for the economy.

Pass-through from the exchange rate to inflation and the real economy: Changes in the exchange rate are directly transmitted to the consumer price through the cost of imported inputs and finished goods. However, the magnitude and speed of the pass-through depend on prevailing demand conditions, price adjustment costs and the perceived persistence of the depreciation/appreciation. The indirect transmission has lag effects through changes in the levels of demand (between domestic goods and import substitutes). This comes as a result of shifts in the country's external competitiveness or inflation expectations (Ramos-Francia & Sidaoui, 2008: 369).

It is generally known that the exchange rate channel examines the relationship between net private capital inflows and monetary policy. There are variant exchange rate regimes but for simplicity's sake two extreme categories are referred to in this discussion, namely the fixed and flexible exchange rate regimes. Karamanou, Mahadeva, Robinson and Syrighas (n.d.) discussed the two alternatives. Under a flexible exchange rate regime monetary tightening, for example via an interest rate rise, makes domestic currency deposits more attractive. This leads to a currency appreciation. The appreciation of a currency means the currency has gained value. The high value of the currency makes domestic goods more expensive than foreign goods. This has a negative impact on net exports because an appreciation causes a fall in net exports and consequently aggregate output. However, under the alternative regime or a system of fixed exchange rates with no capital controls, monetary tightening or a rise in interest rates will cause capital inflows. This is due to the fact that a higher domestic interest rate becomes attractive to international investors. This puts upward pressure on the exchange rate. The authorities have to act on this: the central bank will have to respond by increasing its foreign exchange reserves to bring the interest rate down to its original level. It is against this background that when the exchange rate is fixed or heavily managed, the effectiveness of monetary policy is reduced but not necessarily entirely eliminated. The authorities still have some room for manoeuvring.

Despite the fact that monetary policy under a fixed exchange rate has come under heavy debate, there is an understanding that there are two ways in which monetary policy can maintain a degree of independence with the exchange rate channel present in the case of a fixed exchange rate regime. In particular, the exchange rate might not be completely fixed but may vary slightly and secondly, monetary policy can influence the real exchange rate by working through the price level. An exchange rate system that allows some fluctuation within a target zone, accompanied by some capital controls and a system where domestic and foreign assets are imperfect substitutes, may give the central bank some scope for domestic interest rates to deviate from the

levels set by the interest rate parities. This is true for as long as the exchange rate does not reach the zone's boundaries, since when this happens maintaining [the boundaries] in the face of speculative pressure presents all the problems of a fixed exchange rate. However, if domestic and foreign assets are imperfect substitutes, domestic interest rates may deviate from international levels. In this way, monetary policy can affect the real exchange rate through prices while holding the nominal exchange rate fixed. Furthermore, via this channel the monetary authorities can affect net exports at a limited degree but with much longer lags. Therefore, capital controls and imperfect substitutability of domestic and foreign assets, along with a target zone regime, create a channel for monetary policy to affect output and prices despite a fixed exchange rate system (Bitans, Stikuts & Tillers, 2003).

The importance of evaluating the exchange rate channel is a result of suggestions that have been made on escaping from a liquidity trap. In particular these suggestions focus on the exchange rate as a tool. The most popular suggestion is that of Svensson (2001, 2003), whose proposal consists of three elements: Firstly, the central bank should announce an upward-sloping target path. Secondly, a currency devaluation is announced, together with a currency peg to a crawling exchange rate target. This would imply that the monetary authorities commit to buying and selling unlimited amounts of foreign exchange at the exchange rate. Furthermore, the initial level of exchange rate target after the devaluation is chosen with the aim of ensuring a real depreciation of the domestic currency relative to the steady state. Because of the assumption of the domestic price level being sticky, in the short run the real exchange rate moves one-to-one with the nominal exchange rate. However, the exchange rate target corresponds to a nominal depreciation of the domestic currency at the rate of difference between the domestic inflation target and foreign inflation. The appreciation of the exchange rate in nominal terms takes place when domestic inflation is lower than foreign inflation, especially when the peg is fixed instead of crawling. Thirdly, an exit strategy is confidently declared when the price level target path has been reached. This is to say, the currency peg will be abandoned in favour of flexible price level targeting (Mehrotra, 2006: 141).

Empirical literature

Below is a discussion on empirical studies on this channel. A study by Bitans, Stikuts and Tillers (2003) examined the transmission of monetary shocks in Latvia. It dealt in particular with short-term reactions of the economy to various monetary shocks. Monthly data for the period January 1995 to March 2002 were used. The importance of various channels of monetary transmission was tested empirically by using the SVAR model and small structural macroeconomic model. The analysis provided evidence that monetary shocks were transmitted to the economy mainly through the exchange rate channel. The analysis of the financial system of Latvia supported the view that the wealth channel was very weak or even non-existent at the time because of a relatively underdeveloped capital market.

A study by Muco, Sanfey and Taci (2003) examined the conduct of monetary policy in Albania during the transition period. This study used monthly data for the period January 1994 to May 2003. By employing the VAR model, the study identified various channels through which monetary policy could affect prices and output and established their relative importance. Estimates from a VAR model of key macroeconomic variables demonstrated the weak link between money supply and inflation up to mid-2000. However, the move during 2000 from direct to indirect instruments of monetary control helped to strengthen the predictability of the transmission link from money supply to inflation. Hence the conclusion that external influence, by contributing to exchange rate stability, had played an important part in keeping inflation low for most of the transition period. Moreover, the introduction of indirect instruments of monetary policy appeared to have contributed to the effectiveness of the exchange rate transmission mechanism of monetary policy into the real economy. These results concur with those of Hwee

(2004) for Singapore. This study uses the real effective exchange rate as a measure for monetary policy and finds that output reacts immediately and significantly to a contractionary monetary policy shock. The study finds that the exchange rate channel was more effective in transmitting monetary policy to the economy than the interest rate channel was.

In Armenia, Dabla-Norris and Floerkemeier's (2006) study examined monetary policy transmission in the context of the authorities' intention to shift to an inflation-targeting regime over the medium term. In this study monthly data for 2000: 5 to 2005: 12 were used. The Granger causality tests and a VAR model were used for analysis. The results from this study indicated that the capability of monetary policy to influence economic activity and inflation was still limited, as important channels of monetary transmission were not fully functional. In particular, the interest rate channel remained weak, even though there was some evidence of transmission to prices of changes in the repo rate under the central bank's new operating target for inflation. As in other emerging and transition economies with a high degree of dollarisation, the exchange rate channel had a strong impact on the inflation rate. The study also showed that inflation responded to broad money shocks, once foreign currency deposits were included.

In Vietnam, Hung (2007) analysed the monetary transmission mechanism in Vietnam, using quarterly, seasonally adjusted data from 1996Q1 to 2005Q4. In this study the techniques such as VAR, impulse response function, the Granger causality test and variance decomposition were used to analyse the effect of monetary shocks on output. In particular, the focus was on the reduced-form relationships between money, real output, price level, real interest rate, real exchange rate and credit. The results of this study revealed that monetary policy can affect output and price level. While examining the specific channels, namely the interest rate, the credit channel and the exchange rate channel, the results showed that the significance of each channel was weak. However, the credit and exchange rate channels appeared to be the most significant channels.

In Egypt, Al-Mashat and Billmeier's (2007) study examined the monetary transmission mechanism in Egypt in the context of the central bank's intention to shift to inflation targeting. The study used monthly observations running from January 1996 to June 2005. A VAR model was used to evaluate the different channels. The results revealed that exchange rate channel played a strong role in propagating monetary shocks to output and prices. Most other channels (bank lending, asset price) were rather weak. The interest rate channel was found to be underdeveloped but appeared to be strengthening after the introduction of the interest corridor in 2005, boding well for adopting inflation targeting over the medium term.

Additional empirical studies on the exchange rate channel include Zengin (2000) in Turkey where exchange rate was ineffective in monetary policy transmission; Sezer (2002) in Turkey where exchange rate was found to be effective; Citu (2003) in New Zealand where exchange rate was effective in the transmission of the dynamic effect of monetary policy in smaller developed countries but not in the big developed countries; Hwee (2004) in Singapore where exchange rate was found to be effective in transmitting monetary policy to the economy; Ramglon (2004) in the Caribbean where exchange rate has been operational but not so significantly; Al-Mashat and Billmeier (2007) in Egypt where exchange rate channel plays a strong role in propagating monetary shocks to output and prices; Samkharadze (2008) in Georgia where exchange rate is effective particularly in determining inflation, and Ornek (2009) in Turkey where exchange rate channel is effective.

RESEARCH METHODOLOGY

Econometric framework and model specification

Most empirical studies have predominantly used the structural VAR approach in analysing monetary policy transmission mechanisms. The structural vector autoregression (SVAR) model is a structural-form relationship deduced from the reduced-form VAR. These restrictions can be either contemporaneous or long-run restrictions, depending on whether economic theory suggests the shocks are either temporary or permanent in nature (McCoy, 1997: 7). Therefore it can be said that a VAR is the reduced form of a general dynamic structural model. The relationship between a reduced-form VAR and SVAR is presented below. Equation 1 below represents a dynamic structural model. The reparameterisation of Equation 1 leads to a reduced-form relationship represented by Equation 2.

$$\Gamma Y_t = B(L)Y_t + e_t \quad \dots (1)$$

$$Y_t = \Gamma^{-1}B(L)Y_t + \Gamma^{-1}e_t \quad \text{or} \quad Y_t = B^*(L)Y_t + \mu_t \quad \dots (2)$$

where Y_t is a $(n \times 1)$ vector of endogenous variables and $B(L)$ denotes a polynomial in the lag operator. Γ and B are parameters. e_t is the residual of the model.

It can be inferred from the Equations 1 and 2 that

$$B^* = \Gamma^{-1}B \quad \dots (3)$$

$$\mu_t = \Gamma^{-1}e_t \quad \dots (4)$$

Equation 4 is the core representation of the SVAR model whereby the reduced-form disturbance μ is related to the underlying structural shocks. e_t The identification of Γ and B are required to obtain the structural parameter B^* . This paper uses the four-variable VAR. The vector of endogenous variables of the exchange rate model includes:

$$Y_t' = [\Delta GY_t, \Delta CP_t, XR, R] \quad \dots (5)$$

with ΔGY_t denoting output growth, ΔCP_t the rate of inflation; XR is the exchange rate and R is the repo rate. The equation separating structural economic shocks from the estimated reduced form residuals for the exchange rate model is presented as:

$$\begin{pmatrix} 1 & 0 & 0 & 0 \\ a_{21} & 1 & 0 & 0 \\ a_{31} & a_{32} & 1 & 0 \\ 0 & 0 & a_{43} & 1 \end{pmatrix} \begin{bmatrix} \varepsilon_t^{GY} \\ \varepsilon_t^{CP} \\ \varepsilon_t^{XR} \\ \varepsilon_t^R \end{bmatrix} = \begin{pmatrix} b_{11} & 0 & 0 & 0 \\ 0 & b_{22} & 0 & 0 \\ 0 & 0 & b_{33} & 0 \\ 0 & 0 & 0 & b_{44} \end{pmatrix} \begin{bmatrix} \mu_t^{GY} \\ \mu_t^{CP} \\ \mu_t^{XR} \\ \mu_t^R \end{bmatrix} \quad \dots (6)$$

The estimation procedure is done in this sequence. The initial step is to test for non-stationary (unit root) of time series in order to establish the univariate characteristics of data and the order of integration. To investigate the non-stationarity of the series the augmented Dickey-Fuller (ADF) test, the Phillips-Perrons (PP) and the Kwiatkowski-Phillips-Schmidt-Shin (KPSS) tests

are applied. Usually, the ADF statistic tests the null hypothesis of the existence of unit roots against the alternative hypothesis of non-existence of unit roots (Pindyck & Rubinfeld, 1991; Gujarati, 1995; 2003). Thereafter, a Granger causality test is performed.

VAR can be considered as means of conducting causality tests, or more specifically Granger causality tests. Granger causality test is considered a useful technique for determining whether one time series is good for forecasting the other. Granger causality really implies a correlation between the current value of one variable and the past values of others; it does not mean changes in one variable cause changes in another. If there are two series Y_t & X_t , then it is said that X_t does not Granger cause Y_t if all lagged coefficients for X_t are zero, that is:

$$Y_t = \alpha_0 + \alpha_1 Y_{t-1} + \dots + \alpha_p Y_{t-p} + \beta_1 X_{t-1} + \dots + \beta_p X_{t-p} + \varepsilon_t \quad \dots(7)$$

Then $\beta_1 = \beta_2 = \dots = \beta_p = 0$, that is lagged of X_t has no effect on Y_t . It is possible to have causality running from variable X to Y, but not Y to X; from Y to X, but not X to Y and from both Y to X and X to Y, although in this case interpretation of the relationship is difficult. The Granger causality test can also be used as a test for whether a variable is exogenous. That is, if no variables in a model affect a particular variable it can be viewed as exogenous. To determine which variable causes the other, pair-wise Granger causality tests are used. But since this test is affected by the number of lags, before running this test it is necessary to determine the number of lags. There are many criteria used to indicate the number of lags. These criteria are Hannan-Quinn (HQ), Schwarz information criterion (SC), Akaike information criterion (AIC), final prediction error (FPE) and likelihood ratio (LR). After determining the number of lags it is possible to run a pair-wise Granger causality test so long VAR satisfies the stability condition.

The next step would be to conduct tests for co-integration, that is if two or more series have long-run equilibrium. The econometric literature deals with the cointegration subject from several perspectives. The cointegration test can be applied in several ways, according to the nature of the equation that is tested. If it is a single one the Engle-Granger method is used; if it is a multivariate system the Johansen approach is applied to determine the existence of the long-run relationship among variables. The Johansen procedure uses two tests to determine the number of cointegration vectors: the trace test and the maximum eigenvalue test. Trace statistics investigate the null hypothesis of r cointegrating relations against the alternative of n cointegrating relations, where n is the number of variables in the system for $r = 0, 1, 2 \dots n-1$. Its equation is computed according to the following formula:

$$LR_r(r/n) = -T * \sum_{i=r+1}^n \log(1 - \hat{\lambda}_i) \quad \dots(8)$$

The maximum eigenvalue statistic tests the null hypothesis of r cointegrating relations against the alternative of $r+1$ cointegrating relations for $r = 0, 1, 2 \dots n-1$. This test's statistics are computed as:

$$LR_{\max}(r/n+1) = -T * \log(1 - \hat{\lambda}) \quad \dots(9)$$

Where λ_i is the maximum eigenvalue, and T is the sample size.

In cases where trace and maximum eigenvalue statistics may yield different results, the results of the trace test are preferred. Prior to applying the Johansen test, the number of lags must be determined as suggested by the five criteria: the sequential likelihood ratio (LR), Akaike information criterion (AIC), Schwarz information criterion (SC), final prediction error (FPE) and Hannan-Quinn information criterion (HQ). If cointegration is found among the variables, the adjustment of the short-run to the long-run equilibrium is obtained through the vector error

correction model (VECM) and if no cointegration is found, then a VAR model specification is estimated. However, the structural factorisation is estimated first and this procedure is used to estimate the factorisation matrices for a structural (or identified) VAR, whether from VAR or VECM the impulse response function (IRF), and forecast error variance decompositions (FEVD) are derived. IRF traces the response of the endogenous variables to one standard deviation shock or change to one of the disturbance terms in the system. A shock to a variable is transmitted to all of the endogenous variables through the dynamic structure of the VAR. FEVD examines the effects of shocks to the dependent variables. It determines how much of the forecast error variance for any variable in a system is explained by innovations to each explanatory variable over a series of time horizons.

DATA AND DATA SOURCES

This study utilised quarterly time-series data for the period 1993Q1-2011Q4. The data is obtained from various sources, namely *National Accounts* (Republic of Namibia), the Bank of Namibia's *Quarterly and Annual Report* as well as from the International Monetary Fund's *International Financial Statistics*. The data for the following variables were obtained, namely output, general prices, real effective exchange rate and interest rate. All data has been transformed into natural logarithms.

EMPIRICAL ANALYSIS AND RESULTS

Unit root test

The first step before estimation is to establish univariate characteristics of the data to determine whether the variables are stationary. The problem with non-stationary or trended data is that the standard ordinary least square (OLS) regression procedures can easily lead to incorrect conclusions. This study uses the ADF, PP and KPSS tests. This is because some tests address the weaknesses associated with others. The results of the unit root test for all the variables in levels are presented in Table 1. The series were found to be non-stationary in level form except for the repo rate where the two tests (ADF and PP) are in contradiction. The series were differenced once and all of them became stationary at all levels of significance. Hence, they are integrated of order one.

Table 1: Unit root tests: ADF and PP in levels

Variable	Model Specification	ADF	PP	ADF	PP	Order of Integration
		Levels	Levels	First Difference	First Difference	
R_t	Intercept and trend	-3.17**	-1.87	-4.85**	-4.38**	1
	Intercept	-1.52	-0.76	-4.88**	-4.42**	1
$\ln XR_t$	Intercept and trend	-2.04	-2.04	-8.61**	-8.64**	1
	Intercept	-1.86	-1.88	-8.56**	-8.56**	1
$\ln GY_t$	Intercept and trend	-1.99	-2.69	-10.77**	-29.56**	1
	Intercept	-1.21	-0.26	-10.62**	-26.68**	1
$\ln CP_t$	Intercept and trend	-2.90	-2.03	-5.87**	-5.82**	1
	Intercept	-2.75	-1.98	-5.92**	-5.87**	1

Source: Author's compilation and values obtained from Eviews

Notes:(a)at 5% the critical value -2.908 for lnGY, -2.906 for lnCP, -2.906 for R and -2.908 for lnXR. (b)** means the rejection of the null hypothesis at 5%

In general, the ADF and PP tests have very low power against I(0) alternatives that are close to being I(1) such that they cannot distinguish highly persistent stationary processes from non-stationary processes very well. Furthermore, tests that include a constant and trend in the test regression have less power than tests that only include a constant in the test regression. To overcome the lack of success of the common unit root tests, the KPSS test is also used as a confirmatory test because it is believed to be more efficient and have higher power than the ADF and PP tests. Table 2 below presents the results of the KPSS test that confirm the results of the earlier tests (the ADF and PP) and that the series is integrated of order one I(1).

Table 2: Unit root tests: KPSS in levels and differences

Variable	Model Specification	KPSS		
		Levels	First Difference	Order of integration
R _t	Intercept and trend	0.86	0.07**	1
	Intercept	0.87	0.07**	1
lnXR _t	Intercept and trend	0.23**	0.05**	1
	Intercept	0.62	0.16**	1
lnGY _t	Intercept and trend	0.35**	0.11**	1
	Intercept	1.07	0.099	1
lnCP _t	Intercept and trend	0.216**	0.04**	1
	Intercept	0.74	0.05**	1

Source: Author's compilation and values obtained from Eviews

Notes: (a) at 5% the critical value 0.463 for all the variables.(b)* implies rejection of the null hypothesis at 5%.

Having established the univariate characteristics of the variables, the reduced form VAR model is estimated. The information criteria for the lag order selection for the VAR system is presented in Table 3. These tests show the convergence on the lag length and that is the essence of the lag structure test. At the chosen lag length, all the inverse roots of the characteristic AR polynomial have a modulus of less than one and lie inside the unit circle, indicating that the estimated VAR is stable or satisfies the stability condition as shown in Table 4.

Table 3: Lag length criteria for the exchange rate channel

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-177.5706	NA	0.002269	5.262917	5.392431	5.314299
1	91.03119	498.2759	1.50e-06	-2.058875	-1.411308*	-1.801964*
2	111.1730	35.02920	1.34e-06	-2.178927	-1.013306	-1.716486
3	122.8667	18.98117	1.53e-06	-2.054108	-0.370434	-1.386139
4	145.4189	33.99165	1.30e-06	-2.244026	-0.042298	-1.370527
5	160.3111	20.71953	1.39e-06	-2.211915	0.507867	-1.132886
6	171.7622	14.60432	1.69e-06	-2.080063	1.157773	-0.795506
7	212.4317	47.15303*	8.97e-07*	-2.795121*	0.960768	-1.305034

Source: Author's compilation using Eviews.

Table 4: Roots of characteristic polynomial for the credit channel

Root	Modulus
0.992955	0.992955
0.884083	0.884083
0.724726	0.724726
0.684483 - 0.212173i	0.716613
0.684483 + 0.212173i	0.716613
-0.443333	0.443333
0.070666	0.070666
-0.011799	0.011799

Source: Author's compilation using Eviews.

Note: No roots lie outside the unit circle. VAR satisfies the stability condition

Cointegration Test

If two or more series are non-stationary, but a linear combination of them is stationary, then the series are said to be cointegrated. The concept of cointegration mimics the existence of a long-run equilibrium to which an economic system converges over time, and μ_t defined above can be interpreted as the disequilibrium error. This study uses the Johansen-Juselius (1990) method to test for cointegration. The results for cointegration are presented in table 5. The results shows that both trace and maximum eigen values test statistic indicate no cointegrating equations. The null hypothesis of no cointegration could not be rejected because the test statistics are less than the critical values.

Table 5: Johansen cointegration test based on trace and maximum eigen values of the stochastic matrix for the exchange rate channel

Maximum Eigen Test				Trace Test			
H_0 : rank = r	H_a : rank = r	Statistic	95% Critical Value	H_0 : rank = r	H_a : rank = r	Statistic	95% Critical Value
r = 0	r = 1	11.56	27.58	r = 0	r >= 1	27.68	47.86
r <= 1	r = 2	9.37	21.13	r <= 1	r >= 2	16.12	29.80
r <= 2	r = 3	6.70	14.26	r <= 2	r >= 3	6.75	15.49
r <= 3	r = 4	0.05	3.84	r <= 3	r >= 4	0.05	3.84

Source: Author's compilation using Eviews.

Note: Trace and max-eigenvalue tests indicate no cointegrating equations at the 0.05 level. Sample period 1993:Q1 to 2011:Q4.

Granger Causality Test

Table 6 below summarises the Granger causality results for the four-variable VAR. The results show that output can help to predict the repo rate and all other variables do not help to predict one another. Hence, there is no causality among the rest of the variables.

Table 6: Granger causality tests for the exchange rate channel

Regressor	Dependent Variable in Regression			
	GY	CP	XR	R
GY	0.00	0.40	0.88	0.00**
CP	0.95	0.00	0.99	0.83
XR	0.34	0.43	0.00	0.21
R	0.52	0.27	0.77	0.00

Source: Author's compilation using Eviews.

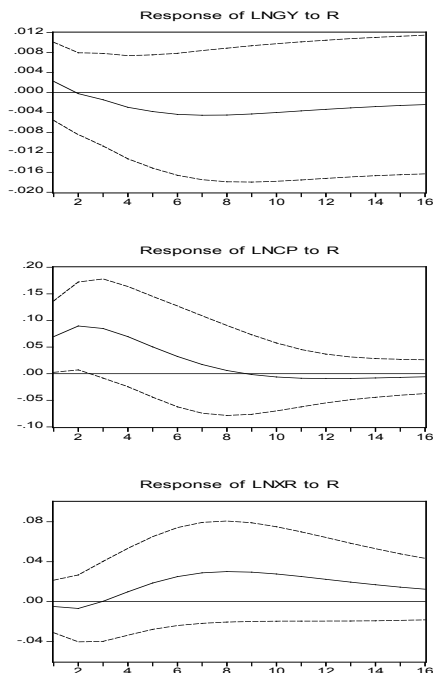
Notes: (a) GY denotes output, CP denotes rate of price inflation, XR denotes real effective exchange rate and R denotes repo rate. (b) ** means a rejection of the null hypothesis at 5%.

Impulse response functions

Figure 1 below presents the impulse responses of output and consumer prices to innovation in the repo rate. The response of output to monetary tightening is in line with economic theory. Repo rate shocks have transitory output effects that die out very quickly; the same can also be said about the response of consumer prices to monetary tightening. The figure shows transitory price effects that die out on the short term. The exchange rate appreciated after an increase in the repo rate. The deviation of the responses is very minor and remains close to the steady line, meaning they are close to the baseline. This leaves a grey area in terms of whether the exchange rate is functional in Namibia. This is no surprise in view of the fact the existence of capital controls and the rigid exchange rate regime in Namibia.

Figure 1: Responses of output, consumer prices and exchange rate: the exchange rate channel

Response to Generalized One S.D. Innovations ± 2 S.E.



Source: Author's compilation using Eviews

Forecast error variance decomposition

Table 7 presents forecast error variance decompositions for each variable in the model over a 16-quarter forecast horizon. The result shows that fluctuations in the output are mostly attributed to the exchange rate, reported to account for 6.6 per cent after eight quarters, 9.6 per cent after 12 quarters and 12.1 per cent after 16 quarters. The repo rate also accounts for fluctuations in the output but not as much as the exchange rate. It accounts for 4.4 after 12 quarters and 4.4 after 16 quarters. The variations in the consumer prices are also mostly dominated by the exchange rate, which accounts for 2.7 per cent after 12 quarters and 3.3 per cent after 16 quarters. The repo rate is the second variable that accounts for variations in consumer prices, but with relatively lower fluctuations compared to the exchange rate.

Table 7: Variance decomposition for the exchange rate channel

Variance Decomposition of GY				
Quarter	GY	CP	XR	R
1	100	0	0	0
4	95.300	0.032	3.532	1.133
8	89.570	0.124	6.576	3.730
12	85.773	0.230	9.595	4.402
16	83.352	0.298	12.147	4.204
Variance decomposition of CP				
Quarter	GY	CP	XR	R
1	0.112	99.888	0	0
4	0.166	97.299	0.439	2.097
8	0.340	95.622	1.670	2.368
12	0.817	93.976	2.691	2.516
16	1.225	92.894	3.263	2.618
Variance decomposition of XR				
Quarter	GY	CP	XR	R
1	0.316	0.120	99.564	0
4	0.276	0.061	99.063	0.600
8	1.003	0.069	92.620	6.308
12	1.603	0.117	88.125	10.156
16	1.906	0.169	86.621	11.304
Variance decomposition of R				
Quarter	GY	CP	XR	R
1	0.437	5.776	0.228	93.558
4	0.501	3.295	0.980	95.224
8	4.184	2.595	4.536	88.685
12	10.852	2.424	7.993	76.672
16	16.072	2.251	10.167	71.511

Source: Author's compilation using Eviews.

The table also shows that fluctuations in the exchange rate are largely attributed to the repo rate, accounting for 6.3 per cent after eight quarters, 10.2 per cent after 12 quarters and 11.3 per cent after 16 quarters. The variations in the repo rate are dominated by the output, accounting for 10.9 per cent after 12 quarters and 16.1 per cent after 16 quarters. The second variable that accounts for fluctuations in the repo rate is the exchange rate, accounting for 8 per cent and 10.2 per cent after 12 and 16 quarters respectively. The relationship between output and the repo rate accounting for variations among them is not surprising, as it is evident from the result of the Granger causality and impulse responses. However, notably, the exchange rate accounts for fluctuations in almost all the other variables. This implies that inclusion of the exchange rate provides important additional information to the monetary transmission process

CONCLUSION

This paper presents a review on the exchange rate channel of monetary policy transmission in affecting prices and output. Economic theory states that under a fixed exchange rate regime, monetary policy can affect the real exchange rate through prices while holding the nominal exchange rate fixed. The study used quarterly data and covered a period of 1993 to 2011. The empirical analysis conducted makes use of the SVAR methodology. The results on the exchange rate channel demonstrate that response of output to monetary tightening is in line with economic theory. The same can also be said about the response of consumer prices to monetary tightening. The exchange rate appreciated after an increase in the repo rate but only relatively. This leaves a grey area in terms of whether the exchange rate is functional in the Namibian case. This is no surprise in view of existing capital controls and the rigid exchange rate regime of Namibia. Overall, there is evidence that the exchange rate channel has operated as a monetary policy transmission in Namibia. However, the effect is not particularly weak and not so significant, since Namibia practises a pegged exchange rate and capital controls. These results conform to other international studies that found that the exchange rate is functional but not significantly so.

REFERENCES

- Al-Mashat, R. 2003. Monetary policy transmission in India: selected issues and statistical appendix. Country report no. 03/261, *International Monetary Fund*.
- Bitans, M., Stikuts, D. & Tillers, I. 2003. *Transmission of monetary shocks in Latvia*. Working Paper, 1/2003
- Bank of Namibia (BON). 1996. *Annual Reports*. Windhoek.
- Bank of Namibia (BON). 2002. *Annual Reports*. Windhoek.
- Bank of Namibia (BON). 2008. *Annual Reports*. Windhoek.
- Bank of Namibia (BON). 2008. *Namibia's Monetary Policy Framework*. Windhoek.
- Bank of Namibia (BON). 1996. *Quarterly Bulletins*. Windhoek.
- Bank of Namibia (BON). 2002. *Quarterly Bulletins*. Windhoek.
- Bank of Namibia (BON). 2006. *Quarterly Bulletins*. Windhoek.
- Bank of Namibia (BON). 2008. *Quarterly Bulletins*. Windhoek.
- Bank of Namibia (BON). 2010. *Quarterly Bulletins*. Windhoek.
- Cito, F. 2003. *A VAR investigation of the transmission mechanism in New Zealand*. Reserve Bank of New Zealand.
- Dabla-Norris, E. & Floerkemeier, H. 2006. *Transmission mechanisms of monetary policy in Armenia: evidence from VAR analysis*. IMF Working Paper, WP/06/248.

- Gujarati, D.N. 1995. *Basic econometrics*. New York: McGraw-Hill.
- Hung, L.V. 2007. *A vector autoregression (VAR) analysis of the monetary transmission mechanism in Vietnam*. National Graduate Institute for Policy Studies, Tokyo, Japan.
- Hwee, C. 2004. *A VAR analysis of Singapore's monetary transmission mechanism*. SMU Economics and Statistics Working Paper Series. Singapore: Singapore Management University, September 2004.
- Johansen, S. & Juselius, K. 1990. Maximum likelihood estimation and inference on cointegration. With applications to the demand for money. *University of Oxford Journal*. 52(2): 169-210.
- Kalenga, P. 2001. *Monetary policy framework in Namibia*. Occasional Paper, Bank of Namibia.
- Karamanou, P., Mahadeva, L., Robinson, P. & Syrighas, G. (n.d.) Monetary transmission mechanism in Cyprus: a fixed exchange rate case. Available online at: www.google.com. [Accessed 18 August 2010].
- McCoy, D. 1997. *How useful is structural VAR analysis for Irish economics?* CBI Technical Paper, 2/RT/9
- Mehrotra, A. 2006. *Essays on empirical macroeconomics*. Bank of England.
- Muco, M., Sanfey, P. & Taci, A. 2003. *Inflation, exchange rates and the role of monetary policy in Albania*. Fourth International Conference on Albanian Economy, Performance and Policy Challenges, September 11-12, 2003 in Saranda, Albania.
- Örnek, T. 2009. The operation of monetary transmission mechanism channels in Turkey. *Finance Journal* 156: 104-125.
- Pindyck, R.S. & Rubinfeld, D.L. 1991. *Econometric models & economic forecasts*. McGraw-Hill, Inc. International Editions.
- Ramlogan, C. 2004. The transmission mechanism of monetary policy. Evidence from the Caribbean. *Journal of Economic Studies*, 31(5): 435-447.
- Ramos-Francia, M. & Sidaoui, J.J. 2008. *The monetary transmission mechanism in Mexico: recent developments*. BIS Papers No 35.
- Samkharadze, B. 2008. *Monetary transmission mechanism in Georgia: analyzing pass-through of different channels*. Center for Operations Research and Econometrics (CORE), Belgium.
- Sezer, B. 2003. *Monetary transmission mechanism and its operation in Turkey*. MBA Thesis, Ankara University Social Sciences Institute., Turkey.
- Svensson, L.E.O. 2001. The zero bound in an open economy: a foolproof way of escaping from a liquidity trap. *Bank of Japan Monetary and Economic Studies* 19: 277-312.
- Zengin, A. 2000. The movements of real exchange rate and foreign trade prices empirical evidence on Turkey's economy. *Journal of C.U. Faculty of Economics and Administrative Sciences*, 2: 27-41.

DIVERSIFICATION OF THE BOTSWANA TOURISM PRODUCT THROUGH DEVELOPMENT OF URBAN TOURISM STRATEGY – THE CASE OF FRANCISTOWN

L.S. Ketshabile¹

ABSTRACT

This paper examines the possibility of developing Francistown as one of the Botswana's tourism destinations. The focus is developmental initiatives that can transform Francistown from an ordinary transit city into a stopover where tourists can spend a few days. It would then be a city similar to Kasane and Maun which are the key tourism destinations in Botswana, also attracting visitors from the neighbouring countries of Zimbabwe, Namibia, Zambia and South Africa. Francistown is located in the north-eastern part of the country. This part of Botswana as a whole attracts comparatively few international visitors. Francistown has the potential to become one of the key tourism destinations in Botswana. A number of people living in Francistown and surrounding areas are said to be living in poverty emanating from high unemployment. Tourism has the potential to create employment and subsequently eradicate poverty.

Keywords: Economic diversification; urban tourism; poverty alleviation and tourism development.

INTRODUCTION

The Botswana tourism product is mainly nature-based and predominantly dominant in the northernmost part of the country, particularly in the Chobe and Okavango regions. In this regard, there is little focus on the development of urban tourism in the country. The Okavango Delta and the Chobe National Park are the key tourism attractions in Botswana. There is an over-emphasis on ecotourism in Botswana, and this means that measures need to be taken to diversify the country's tourism product so that the contribution of tourism to the country's economy can be enhanced. This research therefore aims to sensitise tourism leaders and city leaders in Botswana to develop and promote urban tourism so as to diversify the country's tourism offering. In particular, the research proposes that such developments and promotion should be in Francistown as well as any other suitable location. Francistown is the second largest city in Botswana and is a transit city for travellers to Kasane, Gaborone, Maun, Zimbabwe, South Africa, Zambia and Namibia.

LITERATURE REVIEW

Brief Geography of Botswana

Botswana is a landlocked country lying at the centre of the Southern African plateau (Botswana Population Census, 2001). Four countries border Botswana: Namibia, South Africa, Zambia and Zimbabwe. Botswana and Francistown in particular is a transit location for truck drivers from South Africa, Zimbabwe, Zambia and Namibia. With a population of approximately two million and a total area of 582 000 square kilometres, Botswana is a sparsely populated country (Botswana Population Census, 2001). Large parts of the country are sparsely inhabited owing to the Kgalagadi (Kalahari) desert occupying 87 per cent of the land. Most of the population live in the eastern part of the country, including Francistown, which is closer to Zimbabwean border. Botswana is rich in diamonds and tourism and these form key components in the rapid economic

¹Dr L.S. Ketshabile, Botswana Accountancy College, Gaborone, Botswana.

growth that the country enjoys.

Figure 1 presents a Botswana map depicting Francistown and a number of tourist locations such as national parks, lakes, deserts, and the other physical features. The map also shows countries sharing borders with Botswana. The country's history has an influence on its economic situation. For example, Botswana is renowned for its peace and tranquillity and this has helped the country to grow economically.

Figure 1: Map of Botswana



Source: Shoortravel (2008)

The Botswana citizens constitute various ethnic groups and the dominant group in Francistown is the Kalanga group (Botswana Population Census, 2001). The Kalanga group has rich cultural artefacts that can be showcased to visitors (Botswana population Census, 2001). As a matter of fact, there is a cultural village 80km from Francistown which hosts an annual cultural event but neither the event nor the village are properly marketed for tourism purposes. Tourism authorities in Francistown should take advantage of the fact that Botswana has been an independent and democratic country since 1966. Botswana was colonised by Britain, and it was historically known as the Bechuanaland Protectorate. The country acquired its current name, Botswana, after the country's independence on 30 September 1966. The fact that Botswana is an independent and a democratic country has significantly contributed to its economic development and it has the potential to influence tourism growth in the country because tourists often prefer to visit destinations that are safe. Botswana's economy is largely dependent on the country's diamond mining, tourism and agriculture industries, and it is closely tied to its neighbouring state, South Africa (Botswana's Department of Tourism, 2008). The period from colonialism to independence earmarks the economic and democratic systems of the country. Tourism is one of the key economic sectors in Botswana and its contribution to the Botswana's economy is significant (Botswana's Department of Tourism, 2008).

Developing Francistown as a Tourism City

Developing a city for a tourism purpose needs a different approach than developing a city for residents. Although the developmental logistics may be similar, the objectives and strategies may differ. For example, tourism superstructures have to meet certain grading standards and need to be accessible in places less congested, whereas the public infrastructures are not graded and are accessible by large number of people. In general, city dwellers usually have excellent access to clean water, free public schools, public libraries and public hospitals (Teaford, 1984). Similarly, people who live in Francistown and the surrounding areas have access to various facilities and the government provides such public health facilities, schools and other services. Public infrastructure is usually developed based on the number of people in need of such services (Fainstein & Stokes, 1998). In contrast, tourism facilities are developed based on the availability of tourist attractions within the vicinity of the locations. This cannot be said about Francistown because the city links various parts of Botswana with the key tourism destinations such as the Chobe National Park and the Okavango Delta, yet very few tourist facilities are available in the city. Francistown does not have recreation facilities either, which means that local tourists do not have anywhere to pass the time.

In general, the development of tourist destinations is an integral aspect in the tourism sector and many researchers approach it using various strategies and tactics (Henderson, 2006). Francistown is not an exception to this approach because it has the potential to become one of the tourism hubs in Botswana. In developing a place as a tourism destination, certain factors including infrastructures and superstructures need to be taken into consideration and should be available in such a place (Henderson, 2006). In this regard, the tourism planners and relevant authorities such as the city council need to develop some facilities and infrastructure that can make the city of Francistown more attractive, not only to the local tourists, but to tourists and visitors in general. This includes the development of roads, recreation facilities, shopping malls and restaurants of international standard.

The development of Francistown into a tourism destination may not only benefit tourists, but it would be an economic diversification initiative. Diversification and privatisation have the potential to benefit tourism industry, not only in Francistown, but in Botswana in general. There are strong marketing initiatives, both locally and internationally, by the Botswana Tourism Organisation and the country's tourism offers the peace and tranquillity for which Botswana is renowned and which play an integral role in the development and promotion of tourism destinations (WTO, 2005b).

Besides peace and stability, the other aspect which is paramount to development is the availability of varying types of complementary and competing organisations from both the private and public sector (Palvovich, 2003). Francistown in particular has both complementing public sectors and competing tourism organisations from the private sector which would make the development of the city into a tourism hub ideal.

In developing Francistown as a tourism destination, tourism planners should adhere to the principles of sustainable tourism development. Sustainable development refers to developmental strategies and resources utilisation that meet the needs of the present generation without jeopardising the future generation from meeting its needs from the same resources (WCED, 1987). In this context, sustainable development is considered a dynamic process that facilitates human needs and aspirations for both current and future generations (WCED, 1987). Furthermore, the World Tourism Organisation (WTO, 2001) maintains that sustainable tourism development aims to meet the needs of the current tourists and host communities while creating the potential for the future population to meet their needs. It is therefore envisaged that the development of Francistown as tourism destination should lead to the management of all resources in such a way that social and economic needs are satisfied without compromising

cultural and ecological integrity. This means developing tourism in such a way that the host community's standard of living is improved while enhancing both services for increased numbers of tourist in the city and in the country in general as well as promoting environmental protection.

Sustainable tourism development is more concerned with the management of developmental changes associated with tourism (Liu & Jones, 1996). In developing Francistown as a tourism destination, stakeholders should be mindful of all types of tourism, either conventional or alternative, that are compatible with sustainable development. The Botswana tourism industry is mainly nature-based and is predominantly found in the northern part of the country. Besides nature-based tourism, Botswana has little to offer in terms of recreational facilities. Tourism planners and developers should be mindful that not all tourists who come to Botswana come to see wildlife and that some may wish to visit other interesting areas. Also, tourism development significantly depends on supply and demand factors. Therefore, the development of tourism facilities and services in Francistown may motivate both local and international tourists to visit the city. Besides tourism product diversification, demand management is also essential in sustaining Botswana's nature-based tourism and effective marketing can direct tourist demand to places that are less sensitive to tourism impact. Environmental degradation has more significant impacts on a fragile environment such as an ecotourism environment than on an urban environment.

The development of attractions such as theme parks is paramount in helping the country to attract a number of tourists who would otherwise have exacerbated touristic pressure on the wildlife environment. As already stated earlier, the natural environment is the basis for the Botswana success story in the tourism sector. This justifies the reasons why the Botswana tourism policy is more intent on protecting the natural environment. From the wider perspective, tourism resources extend beyond natural resources, and include tourist attractions such as the natural environment, cultural and purpose-built attractions (Friedman, 1992). In addition, facilities such as infrastructure and superstructure play an integral role in support of tourist activities. Hospitable host communities and social settings enhance positive tourist experiences (Hitchcock *et al*, 1993). It is imperative for tourism planners and developers to understand that the development of a tourism destination cannot be done in isolation, but is a collaborative effort involving the tourism agencies such as tour operators, travel agents, the private sector, and national tourism organisations such as the Botswana Tourism Organisation (BTO) and the Department of Tourism (DOT). This collaboration is critical in packaging and marketing the whole destination locally, regionally and internationally.

Besides packaging and promoting Botswana as a tourist destination, the government of Botswana and other tourism role players should promote social and economic development initiatives. Special attention should be aimed at improving the standard of living conditions of host communities, not only in Francistown as a prospective tourism destination, but in other key tourism destinations in which host communities are said to be living in poverty (Botswana's Department of Tourism, 2008). It is unfortunate that host communities are living in poverty in close proximity to the key tourism destinations in Botswana, especially when one considers that tourism is Botswana's second economic contributor after diamond mining. This shows that the development of tourism in Botswana does not fully comply with the principles of sustainable development that stipulate that sustainable development should aim to meet the needs of host communities in terms of improving living standards in both the short and long terms (Friedman, 1992). In general, the global trend is that the tourism potential has not yet been realised, and in developing countries in particular poverty and social inequality imply that there is a great need for the host communities to benefit from and actively participate in tourism developmental activities in their area (Liu, 2003).

Sustainable development should ensure that tourism benefits accrue to the local community, particularly those living in poverty. This emphasis is based on the fact that the host communities often bear the negative consequences of tourism activities taking place in their localities (Bramwell, 1998; Mbaiwa, 2005). People living in poverty are likely to engage in unethical and unsustainable developmental activities in order to meet their basic needs (Bramwell, 1998). It is also imperative for tourism developers to understand that tourism development utilises the valuable resources that could be a source of livelihood for the host communities and that host communities should benefit from tourism is not a bonus but a right. When host communities see the value of tourism and actually benefit from it, they are likely to support and protect the location's natural and cultural environments (Smith, 1994). Similarly, if the host communities are not happy and do not support tourism activities in their localities, they may not be hospitable to the visitors and this in turn may discourage tourists from visiting that particular destination. However, involving the ordinary host community in tourism development is often a difficult exercise, particularly in developing countries such as Botswana (Tosun, 2000). Sustainable tourism development therefore needs to maintain a balance between meeting the needs of tourists, the tourism enterprises, local communities, and protecting the environment (Bramwell & Lane, 2000).

EMPIRICAL STUDY AND ANALYSIS OF RESULTS

This section of the research focuses on analysing the empirical data. The data is analysed using various graphs and tables based on the key issue of the research. The Likert scale of five items ranging from 'strongly agree' to 'strongly disagree' was used in data collection. In identifying the respondents, all tourism organisations, including the private and public sectors, in Francistown were approached to seek their consent. It is important to note that tourism in Francistown and in Botswana in general is still at its developmental stage. A total of 39 respondents participated in the research. As already indicated, the number of respondents is a true representative of the population working in the tourism sector in Francistown. It is important to note that organisations were represented by individuals who were identified by their respective managers to participate in the study. Not all organisations approached answered the questionnaire but most organisations responded to the questionnaire. This was a self-administered questionnaire in which the respondents were given the questionnaire to answer on their own. Prior to the distribution of the questionnaire to the respondents, the questionnaire and the purpose of the research were discussed with the potential respondents in various organisations. Managers from various tourism organisations were approached and were asked to identify possible respondents in their respective departments. Specifically, a snowballing approach was used to identify the respondents. The study object constitutes people who are directly involved in the tourism sector in Francistown. Of the people who participated on the research, 64 per cent were women aged between 20 and 29 years. This shows that women play important role in the Botswana tourism sector. The respondents were all citizens of Botswana who have undergraduate degrees in tourism management. Table 1 presents results on how participants responded to the various items:

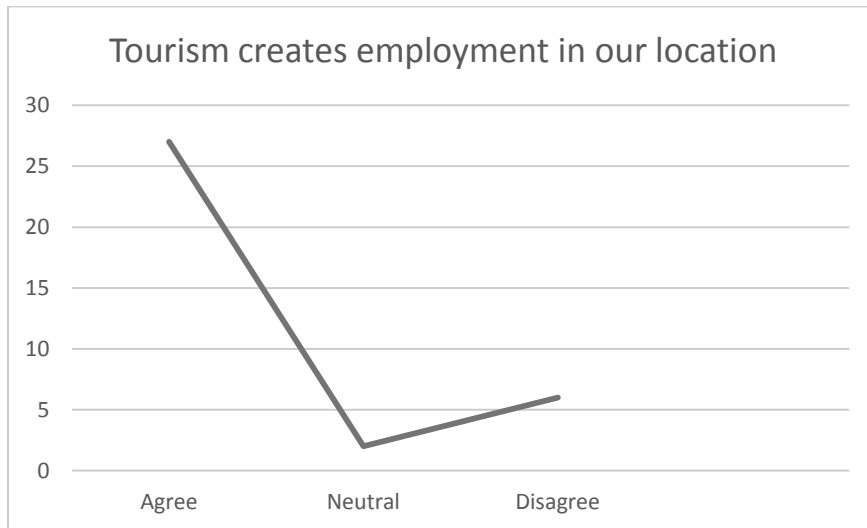
Table 1: Survey Results

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Tourism creates employment in our location	11	16	2	6	0
Tourism motivates host communities to be more conscious of the need to maintain and improve the appearance of the area	9	17	7	5	0
The development of tourism facilities has generally improved the appearance of the area	7	18	3	9	1
Tourism contributes to the conservation of the environment as a national asset	16	16	3	3	0
Tourism development brings facilities that improve the quality of life of residents	15	13	5	3	1
The economic benefits of tourism to the communities are overrated	1	12	12	5	2
Tourism benefits only a small proportion of the community members	13	10	10	3	2
Francistown should be developed to be one of the major tourism destinations in Botswana	31	7	1	0	0
Francistown has the potential to become a key tourism destination	25	11	1	1	0
Development of Francistown into a tourism destination will help poverty eradication initiatives in Botswana	24	15	0	0	0
Tourism contributes employment creation in your location	12	18	4	4	1
Unemployment exacerbates poverty levels in our community	15	16	3	2	0
Tourism increases social cultural problems such as commercial sex work	6	12	12	7	2
Sex tourism is a common practice in our area	2	2	10	6	18
Tourists are often an intrusion on communities' lifestyles	2	15	10	8	2
Tourism results in damage to the natural environment	2	14	9	9	4
Tourism increases the cost of living in host communities	6	12	11	5	5
Development of Francistown as a tourism destination will disadvantage the community	1	2	3	11	20
The host community should be involved and work closely with business community in tourism development	30	4	2	0	1

Tourism contributes to the economic development of Botswana because it creates both direct and indirect employment. Of the people who answered the questionnaire, 27 out of 39 indicated that

tourism creates employment. Besides creating employment, tourism contributes significantly to the country's GDP. Francistown would benefit from this contribution and the development of the city into a tourism destination would enhance the contribution of the sector to the city and to the country in general. Figure 2 depicts the respondents' perception of the economic contribution of tourism in Francistown, particularly as regards employment creation.

Figure 2: Respondents' perceptions of tourism and employment



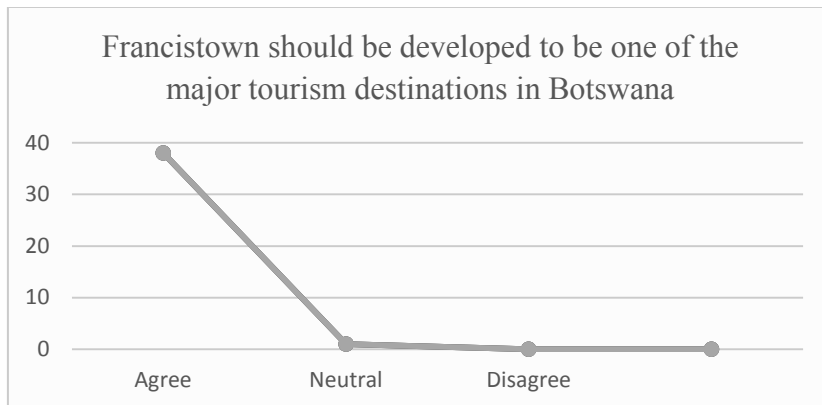
Most respondents (69%) as indicated in Figure 2 affirm that tourism creates employment in their locality. This shows that the development of Francistown as a tourism destination is an ideal strategy. Besides employment creation, tourism motivates host communities to be more conscious of the need to maintain and improve the appearance of the area. This includes keeping the environment clean and being environmentally friendly. The concept of responsible tourism cannot be over-emphasised in Francistown and in Botswana in general because it is a notion that the world has adopted. Tourism also plays a vital role not only in economic diversification but also in development as it fosters infrastructural development that improves the ambience of the host destination. When host communities recognise the importance of tourism for their location, they are likely to promote conservation strategies and practise sustainable tourism development. This, in return, provides quality of life for both current and future generations.

The contribution of tourism to host communities' quality of life varies and people often have varying perceptions on whether tourism positively contributes to their lives. Based on this research, 33 per cent of the respondents confirmed that the economic benefits of tourism to the communities are overrated, 31 per cent of the respondents were neutral, 18 per cent of the respondents disagreed with statement, and 18 per cent of the respondents did not answer the question. The fact that a significant number of the respondents indicated that the economic benefits of tourism to the communities are overrated could mean that the economic benefits of tourism do not accrue to the host communities, particularly those living in poverty. This means that there is a need for policy intervention to ensure that tourism benefits the host communities and to use tourism as a poverty alleviation strategy. Community involvement and benefit from tourism are some of the principles of sustainable tourism development. Furthermore, when host communities benefit from tourism, they are likely to support tourism developmental initiatives taking place in their localities, which in return will help the country to diversify the economy through tourism development.

In general, the tourism economic benefits accrue more to the minority than the majority and this results in many people being reluctant to support tourism developmental initiatives in their respective communities. In Botswana in particular, most of the tourism enterprises are owned by the foreign investors who are in most cases criticised for not being concerned about the host communities' socio-economic problems such as poverty. Tourism does indeed create employment but such employment is also criticised in terms of low wages which do not alleviate the poverty within the communities. To a large extent, some people working for tourism organisations do not necessarily hail from host communities but from elsewhere in Botswana or even from outside Botswana. Tourism generally comes with some socio-economic problems such as commercial sex work due to movement and interaction between tourists and host communities. The situation is worse in scenarios in which the host communities constitute people living in poverty who may opt to engage in commercial sex work as a survival strategy. Unemployment exacerbates poverty levels in various communities, including Francistown, and tourism has the potential to create employment which in turn may alleviate poverty.

Considering the socio-economic problems associated with tourism, it is imperative for policy makers, tourism developers and investors to consider how the host community will benefit from tourism and involve host communities in all the developmental stages of tourism. Host communities often perceive tourists as intruders in their lives and this is due to a lack of active community participation in tourism planning and development. Promoting host community benefits from tourism is imperative because tourism development has both positive and negative impacts on the environment. Such impacts as environmental degradation affect the host community. The other socio-economic impact of tourism is the escalation of prices, particularly in tourism destinations. The high price of certain commodities makes life difficult for many host community members, particularly those living in poverty. Developing Francistown into a tourism destination is imperative in addressing the poverty and unemployment problems. Figure 3 depicts respondents' views on developing Francistown into a tourism destination.

Figure 3: Perceptions of respondents on developing Francistown as a tourism destination



All the respondents agree that Francistown needs to be developed into one of the key tourism destinations in Botswana. This means that the government needs to allocate land for tourism enterprises and encourage investors to invest in tourism businesses in Francistown. The key challenge is the lack of land for tourism projects and the fact that the government of Botswana controls the land allocation throughout the entire country. Prior to developing the city of Francistown into a tourism destination, it is imperative to engage the host communities in the city and its surrounds in all stages of planning and implementation. As part of tourism development and to encourage the host communities to actively participate in tourism projects, cultural

tourism could be promoted and ordinary community members be given the opportunity to sell their artefacts such as basketry and traditional attire. There is a need for the government to allocate certain portions of the land to community projects for open markets in which the community members may operate.

Francistown indeed has the potential to become a tourism destination. Developing the city into a tourism destination is imperative for poverty alleviation, not only in Francistown but in Botswana in general because employment created by such initiatives is not only for people living in the city but elsewhere as well. Besides poverty alleviation and employment creation, the development of Francistown into a tourism destination is essential in diversifying the Botswana tourism product which is largely dependent on wildlife tourism. It is important to note that not all tourists, international or local, are interested in wildlife viewing. Some tourists visit a destination for other reasons other than wildlife viewing e.g. urban and cultural tourists.

CONCLUSION

Tourism has the potential to diversify the Botswana tourism sector which is largely dependent on wildlife tourism. Tourism also has the potential to diversify the country's economy which is largely dependent on diamond mining. Developing Francistown as tourist destination is essential in diversifying the tourism product in Botswana. Francistown is the second largest city in the country after Gaborone. The city is a transit location for people travelling to Zimbabwe, Zambia, Namibia and Maun. Like many towns in Botswana, Francistown experiences a high rate of unemployment and poverty. Developing Francistown as one of the Botswana's key tourism destinations is imperative in order to create opportunities for employment and small-scale entrepreneurs, particularly for members of the host community.

REFERENCES

- Botswana Department of Tourism, 2008. Bajanala. *A Tourist Guide to Botswana*, 4: 1-24, September.
- Botswana Population Census. 2001. *Geography of the country*. Gaborone: Botswana Population Census.
- Bramwell, B. & Lane, B. (Eds). 2000. *Tourism collaboration and partnerships: politics, practice and sustainability*. Clevedone: Channel View.
- Bramwell, B. 1998. Selecting policy instruments for sustainable tourism. In W.F. Theobald (Ed.) *Global tourism* (pp. 79-361). Oxford: Butterworth-Heinemann.
- Friedman, J. 1992. *Empowerment: the politics of alternative development*. New York: Basil Blackwell.
- Henderson, J. 2006. Tourism in Dubai: overcoming barriers to destination development. *International Journal of Tourism Research*, 8: 87-99.
- Hitchcock, M., King, V.T. & Parnwell, M.J.G. 1993. Tourism in South-East Asia: introduction. In M. Hitchcock, V.T. King & M.J.G. Parnwell (Eds). *Tourism in South-East Asia* (pp. 1-31). London: Routledge.
- Liu, Z. 2003. Sustainable tourism development: a critique. *Journal of Sustainable Tourism*, 11 (6): 459-475.
- Liu, Z.H. & Jones, E. 1996. A system perspective of sustainable tourism. In M. Saayman (Ed.) *Proceedings of International Conference on Urban and Regional Tourism* (pp. 21-209). Potchefstroom, South Africa.
- Mbaiwa, J.E. 2005. The problem and prospects of sustainable tourism development in the Okavango Delta, Botswana. *Journal of Sustainable Tourism*, 13(3): 203-227.

- Palvovich, K. 2003. The evolution and transformation of a tourism destination network: the Waitomo Caves, New Zealand. *Tourism Management*, 24: 203-216.
- Smith, S.L.J. 1994. The tourism product. *Annals of Tourism Research*, 21(3): 95-582.
- Shoortravel, 2008. *Map of Botswana*. Available online at: www.shoortravel.com/botswana.htm [Accessed 18 December 2014].
- Tosun, C. 2000. Limits to community participation in the tourism development process in developing countries. *Tourism Management*, 21(6): 33 – 613.
- WCED. 1987. *Our common future*. Oxford: Oxford University Press.
- WTO. 2005b. *Tourism highlights edition 2005*. World Tourism Organization: Madrid.
- WTO. 2001. *The concept of sustainable tourism*. Available online at: <http://www.world-tourism.org/sustainable/concept.htm>. [Accessed 27 August 2014].

POSSIBLE SCENARIOS FOR SOUTH AFRICA TOWARDS 2055

C.M. Adendorff¹, J.A. Jonker² & A. Roux³

ABSTRACT

The purpose of this article was to develop four scenarios for South Africa over the next forty years: Mandela's Dream in which positive elements come into function for South Africa's economy and governance; the Historical African Syndrome, in which the key driving forces unfold in an uneven pattern, or have a differentiated impact on South Africa's economy; the Good, the Bad and the Ugly in which less good governance prevails, but where a fortunate economy and firm national management allow South Africa to become competitive and benefit from satisfactory economic growth; and the Pyramid Syndrome scenario in which negative regional drivers of change corrode positive policies and initiatives in a manner which compounds the pre-existing threats to South Africa's growth. The goal of this article was not only to affirm what is already known and knowable about what is happening right now at the intersections of South Africa and its economy, but also to explore the many ways South Africa can strengthen judicial governance and the rule of law by scenario planning, a methodology designed to help researchers, nations and organisations alike through this creative process. This article begins by identifying selected forces of change, and then combines these forces in different ways to create a set of scenarios about how the future of South Africa could evolve towards 2055.

Keywords: Future studies; drivers for change; scenarios.

INTRODUCTION

There is widespread recognition that mankind is living in an era of rapid change in which new discoveries, philosophies and technologies play an ever more prominent part in shaping social and economic development (UN, 2007; World Bank, 2008). The world is becoming increasingly complex, more competitive and better connected. There is economic internationalisation on the one hand, and cultural decentralisation on the other (Moberg, 2012; UN, 2011).

Society has shifted from an industrial base to an information and knowledge orientation whereby advances in genetics, materials, energy, computing, robotics, miniaturisation, medicines, therapies and communication proceed apace (National School Boards Association, 2008; World Bank, 2002). The developed world, moreover, is now becoming smaller, older and wealthier, whilst the developing world grows bigger, younger and relatively poorer (UN, 2009; UN, 2011). A blurring of boundaries between disciplines, industries and social enterprises is taking place and as those boundaries fade, the lines connecting the constituent parts become more critical, so that network systems and holistic thinking are more meaningful (Mazarr, 2005; Ratcliffe & Saurin, 2007). Towards 2055, rapidly shifting trends and unforeseeable global crises will test any and all countries, leaving no power untouched (UN; 2001; Peters, 2011). Silke (2011) points out that there is a close relationship between human development, and global economic and political sense.

¹Professor C.M. Adendorff, NMMU Business School, Nelson Mandela Metropolitan University, Port Elizabeth, South Africa.

²Professor J.A. Jonker, NMMU Business School, Nelson Mandela Metropolitan University, Port Elizabeth, South Africa.

³Professor A. Roux, Director, Institute for Future Research, University of Stellenbosch, South Africa.

For this reason, broader long-term strategies to foster human development will be the most important goals for countries in the future. Strategic positioning will increasingly promote a competitive environment, pitting nations against each other for the leading role.

Therefore, a more educated and globally aware generation paired with rising global challenges (often unforeseen) will force governments to let go of “narrow political and ideological” attitudes and policies (Bandurski, 2009; Silke, 2011; UN, 2011).

For international corporations, skills attract investment (UN, 2002; Bulgar, 2011). International corporations are attracted to countries that have proven themselves in realms such as “education, health care, infrastructure, security of tenure and combating corruption” (Silke, 2011; Bulgar, 2011; UN, 2011; World Bank, 2012). In a fiercely competitive world, the South African story of victory over its past and its evolving new democracy will be of little consequence to corporations which are looking for good governance in their search for possible investment opportunities (The China Post, 2011). In order to foster this kind of environment, government’s duty now becomes to foster a healthy entrepreneurial, innovative and knowledge-based population that can be conducive to business growth (Silke, 2011; UN, 2011; OECD, 2009; World Bank, 2011).

Faced with growing competition on the global market, research findings warn that if the Republic of South Africa does not “get its house in order”, it will be left behind in the wake of most other countries (World Economic Forum, 2010; Silke, 2011; Anderson, 2011; African Economic Outlook, 2011). Globally, countries have already shown and continue to indicate that the state can have a pivotal role in securing the confidence of the international community (OECD, 2009, Alberti & Bertucci, 2001; Banga, 2003). However, South Africa’s biggest competition might not hail from other continents, but may turn out to be the country’s neighbours. Researchers argue that South Africa’s political dynamics leave investors with doubt as to whether to invest (Seria, 2011). Countries such as Zimbabwe, which researchers identify as having no restrictive labour laws, can lure investors away from South Africa to elsewhere on the continent (Silke, 2011; Seria, 2011; Mamburu, 2011). The danger for South Africa is that it might lose out as Africa’s progress heats up competition between the African countries unless the South African government can act in an effective and adaptive way (Silke, 2011). IDISA (2011) points out that political events in North Africa during 2011 have raised concerns over whether South Africa will develop the same problems such as the ‘people’s protest’. The South African government’s inability to stem the increasing dissatisfaction with service delivery (which has been characterised to be ‘almost certainly violent’) adds to this perception (IDISA, 2011; Higgs, 2011).

PROBLEM STATEMENT

No one can predict with certainty how the future will develop, yet more than ever researchers and decision-makers alike need to think about the probable futures that might originate from the unstable conditions that persist, as well as the implications for human choice and action (Herbst & Mills, 2006). Countries are continually exposed to the fast-changing external environment of the 21st century. Political leaders and decision-makers are faced with daunting challenges associated with rapidly fluctuating regulatory and legal changes, macro-economic trends and risks, socio-political transformation, globalisation, technological innovation, increasing competition, environmental concerns, and societal pressures and expectations (Dess & Pickens, 2000; Geldenhuys, 2006; Meyer & Boninelli, 2004). It is therefore important for the Republic of South Africa to position itself in this rapidly changing, complex and global environment. The Republic of South Africa, in striving in the midst of a changing global environment, requires the application of scenario-based planning and, if possible, a change in navigation in some form or other. Integrating scenario-based planning and institutionalised change navigation may have a positive impact on the extent to which people buy into the stories resulting from scenario-based

planning and the leadership actions resulting from these scenarios (Geldenhuys, 2006; Moya, 2012; Yoe, 2004, 2012).

This article will attempt to indicate how different approaches to, or solutions provided by, the scenario process will lead to different outcomes. This article will also not attempt to predict the future, but rather to illustrate the plausible futures, taking into account the current prevailing and future forces and factors, both external and internal, that will make an impact on the Republic of South Africa. Future research studies indicate that too many forces work against the possibility of obtaining the right forecast (Caldwell, 2010; Hartmann, 2009; Herbst & Mills, 2006). Analysing the macro- and microenvironment assists this research effort by identifying the key factors that have an impact on South Africa, either positively or negatively. By identifying the drivers for change, this research strives to determine the risks and problems that prevent South Africa's progress and development.

DRIVERS FOR CHANGE AFFECTING SOUTH AFRICA

A definition of a driver involves the result of the transformation in an environment brought on by any natural or human-induced factor that directly or indirectly causes a change (Carpenter *et al*, 2006). A direct driver indisputably influences specific processes. An indirect driver operates more diffusely by altering one or more direct drivers.

Driving forces can be viewed as uncertain, as they are influenced by the rapidity of change. This makes it harder to anticipate the future (Kasperson, Kasperson & Turner, 1995). This uncertainty is not only influenced by the rapidity of change, but also by the new ways and values of looking at change (and the inherent conflicts of these new values and the existing and familiar ones) and of course, the driving forces of change (Bassanini & Scarpetta, 2001). Researchers and decision-makers will need to understand paradigm shifts and driving forces in order to combat this uncertainty (Caldwell, 2010).

Driving forces are adequately strong, enabling a direct course of expansion of the society and changes in the environment (Bassanini & Scarpetta, 2001; Nelson *et al*, 2006). Driving forces set the preliminary course for development, and their impacts are powerful enough to change the course of progress. Their effects can be short and sharp, or long lasting (Caldwell, 2010; Nelson *et al*, 2006). Driving forces function at various levels of intensity and scale, reverse direction, and appear or disappear as the case may be (Kasperson *et al*, 1995). The development of the scenarios is then based on the identification and articulation of the driving forces. Driving forces therefore are elements that can cause change to occur and their unfolding and interaction are responsible for the trends envisaged in each scenario (Hartmann, 2009).

ECONOMIC DRIVERS FOR CHANGE AFFECTING SOUTH AFRICA TOWARDS 2050

The international economic system as constructed following the Second World War will be almost unrecognisable by 2025 owing to the rise of emerging powers, a globalising economy, an historic transfer of relative wealth and economic power from West to East, and the growing influence of non-state actors (Grant, 2010). By 2025, the international economic system will be a global multi-polar one with continually narrowing gaps in national power between developed and developing countries (NIC, 2008). Concurrent with the shift in power among nation states, the relative power of various non-state actors including businesses, tribes, religious organisations and criminal networks is increasing (Fingar, 2009). The players are changing, but so too are the scope and breadth of transnational issues important for continued global economic prosperity.

BRIC countries have received a medium economic risk rating from Control Risks (2013); however, South Africa received a low rating for 2013 with regard to political and economic risk. A low political and economic risk rating implies that businesses are not able to operate without

any inconvenience. Political organisations are expected to be stable, although the possibility remains that adverse policy changes may occur. The possibility that regulatory or judicial insecurity can become an issue is unlikely, but non-government actors could obstruct business activities from time to time (Control Risks, 2009; Essel, 2012).

South Africa has been highly represented by its diverse cultures, which may be extremely valuable since terrorism has often been linked strongly to religious and cultural issues (Silke, 2010). The country's diverse cultures, however, have sometimes given rise to ethnic conflict (Venter, 2005: 39; Essel, 2012). Issues around Black Economic Empowerment (BEE) have often presented economic risk factors (Acemoglu, 2007). This has usually come in the form of potential government intervention. Employment in most instances has been hampered by affirmative action quotas whereby management is sometimes prevented from selecting the most suitable persons for particular positions and therefore the country's development has consequently been restrained (Venter, 2005: 40; Zaayman, 2003: 38; Essel, 2012).

In order for South Africa to achieve its national goals of eradicating poverty, lowering inequality, creating jobs and making the transition to a resilient low-carbon economy, foreign relations must be driven by the country's domestic economic, political and social demands, as well as by our regional, continental and global obligations (National Development Plan, 2011). Meeting these expectations and obligations can be achieved through a clear understanding of global shifts in power and influence from West to East, regional formations in Africa, and the emergence of powers such as Mexico, Turkey, Indonesia and Columbia, some of which are vying for a voice in early 21st century international relations (NDP, 2011).

Bobby Godsell, chairman of Business Leadership South Africa and a member of the high-powered government-sponsored National Planning Commission, argues that South Africa could become to Africa what Japan was to Asia in the 1950s and 1960s. Godsell (2010) makes the telling point that South Africa is leading the modernisation of a continent of a billion with huge unmet needs. The world is set to change; the decades to 2050 are likely to be the most dramatic and potentially testing for all humanity (NIC, 2008). Will South Africa cope and perform within such a competitive and demanding international climate? As with most countries, South Africa will move into an even more competitive environment where competing regions, cities and nation-states seek to alleviate the pressures of all these key question marks impeding economic growth (UNEP, 2012). Given that a second industrial revolution from the developed to developing world is now upon us and is likely to shape the future to 2050 and beyond, South Africa will be closely analysed by external players, investment houses and rating agencies. The use of key criteria to establish the propensity for a nation's success is a transparent process that can elevate smaller countries to fashionable investment destinations or relegate bigger names to a declining status (Anderson, 1993; Hill, 2008). This will be South Africa's most testing time as it pits domestic policy constraints against the relentless tide of global change (Ukwandu, 2009). And all the while South Africa has to provide for its people in one of the most competitive eras the world has ever experienced.

POLITICAL DRIVERS

The study of world politics now comprises a broad range of disciplinary and theoretical perspectives (Brasset & Bulley, 2007). Such breadth holds important implications for understanding ethics and "the ethical" in world politics (Sander-Staudt, 2011). Where once International Relations (IR) claimed a monopoly over the study of world affairs, there is now a plurality of capable observers from disciplines like Geography, International Political Economy, Futurology and Sociology.

Governance (local, national and regional) relies on values and principles that the public holds (Hartmann, 2009; Kennedy, 2003). The political relations between the state, civil society and the

private sector are heavily relied upon by governance, even though the purposes of these sectors vary depending on the priorities and principles of a set social system (Herbst & Mills, 2009). Governance is found within the political, economic and administrative sectors, and it can affect expansion, which includes the potential for sustainable environmental management, market efficiency and the understanding of basic rights. First-rate governance is able to develop economic development as well as the potential to produce fresh opportunities for improving human well-being as well as general development (Hartmann, 2009).

Some argue South Africa has made significant progress in the provision of basic services such as housing, water and electricity (UNDP, 2010). The foundations for a capable state have been laid, but there are major concerns about the weakness in how these structures function, which constrain South Africa's ability to pursue key development objectives (Edigheji, 2007; Adendorff, 2011; Silke, 2011). The uneven performance of the public service results from the interplay between a complex set of factors, including tension in the political administrative interface, instability of the administrative leadership, skills deficits, the erosion of accountability and authority, poor organisational design, inappropriate staffing and low staff morale (Grafton, 2010; NDP, 2011; Davis, 2012; Silke, 2011).

The temptation of quick fixes has diverted attention from more fundamental priorities, particularly the deficit in skills and professionalism affecting all elements of the public service (Governance, 2000). At senior levels, reporting and recruitment structures allow far too much political interference in selecting and managing senior staff (NDP, 2011; Silke, 2011).

The result has been unnecessary turbulence in senior posts in the public service and reduced confidence in the leadership, which undermines the morale of public servants and the confidence of citizens in South Africa (Hughes, 2003). Therefore, South Africa has struggled to achieve constructive relations between the three spheres of government. A lack of clarity about the division and coordination of powers and responsibilities together with the lack of coherent and predictable mechanisms for delegating or assigning functions has created tensions and instability across the three spheres (Heyns & Stefiszyn, 2006; Silke, 2011).

South Africa has yet to balance the need for public servants to be responsive to the priorities of the South African government of the day with the need for the public service to treat citizens equally and not discriminate on grounds of political allegiance (Hadley, 2002; Kalombo, 2005; NDP, 2011). There also has yet to be a clear demarcation between the roles and responsibilities of public servants and their political principles (Mafunisa, 2003; Greene, 2006; Essel, 2012). Where the public service is too insulated from political pressures, this is likely to lead to concerns that it is failing to serve the interests of the government and is therefore not fulfilling its democratic mandate. However, where the public service is insufficiently insulated, standards can be undermined in South Africa as public servants are recruited on the basis of political connections rather than skills and expertise, or access to state resources and services become defined by political affiliation rather than citizenship (Gounev, 2010; NDP, 2011; Sherwood, 2012; Silke, 2012).

Although South Africa is governed as a parliamentary democracy (Bureau of African Affairs, 2010; Essel, 2012), this democratic country has numerous identifiable political pressure groups such as labour. These groups have instigated strikes in the past during which the entire country has come to an economic standstill, which makes it obvious that these labour unions are crucial political pressure groups in South Africa (Pekeur, 2003; Essel, 2012). South Africa has been identified as one of the more stable economies on the African continent and it has been argued that South Africa has been the economic giant of Africa, and not only the leading producer of minerals, but also the country with the highest industrial output on the African continent (McKinsey, 2010; Essel, 2012). However, foreign investors also generally associate business in South Africa with corruption (Zaayman, 2003; Silke, 2011). South Africa has also constantly

faced threats of expropriation in the recent past, as issues surrounding land reform and the nationalisation of mines have been sensitive subjects in South Africa (Zaayman, 2003). However, the possibility that regulatory or judicial insecurity can become an issue is unlikely, but non-government actors could obstruct business activities from time to time (Control Risks, 2009). Issues around Black Economic Empowerment have often presented political risk factors (Acemoglu, 2007; Duffet, 2012) and this has usually come in the form of potential government intervention (Labonte, 2010; Essel, 2012).

RESEARCH METHODOLOGY

Scenarios are a way of producing alternative futures based on various mixtures of assumptions, facts, trends and areas where extra understanding is needed for a particular scenario project (Herbst & Mills, 2006). A very good set of scenarios should leave the reader questioning which option is more likely or probable, thus causing the reader to think more. That is the whole point of a scenario (Herbst & Mills, 2006). Researchers should therefore structure and develop their scenarios to arguably educate and not to postulate the preferred future (Carpenter, Bennett & Peterson, 2006). Researchers, however, assert that these scenarios attempt to help detect, avoid and overcome possible dangers that may lie ahead, and to inform individuals by considering fragments of possible developments, options and dangers that may arise. Such researchers also emphasise that exploring these alternative futures should be done with the goal of improving the welfare of humankind and the sustainability of the earth (Bell, 2001; Moll, 2000). Bell (2001) indicates that any future is a consequence of present actions of people and that the present day is constantly being reconstructed as people act, react and interact. Therefore, to understand how these consequences might unfold, the researcher must understand other's actions and reactions, and forces beyond control (Bell, 2001). As result of this, researchers contribute to informed and wise actions in our present day by studying possible future scenarios, distinguishing between possible, probable and preferable future scenarios (Bell, 2001).

This article presents four scenarios to better understand South Africa's future for the next 40 years: the 'Mandela's Dream Scenario' in which positive fundamentals come to function and are equally beneficial; 'The Good, the Bad and the Ugly Scenario' in which less good governance prevails, but where a fortunate environment and firm national management allow South Africa to become competitive and benefit from satisfactory economic growth; the 'Pyramid Syndrome Scenario', in which core driving forces unfold at an uneven pattern, or have a varied impact on South Africa; and finally, the 'Historical African Syndrome' in which negative regional drivers of change cause the decay of positive initiatives in a method which compounds the pre-existing pressures to South Africa's development towards 2055.

Figure 1: The Pyramid Syndrome



Source: Adendorff & Collier (2015: 134)

First scenario – Mandela’s Dream

Nelson Rolihlahla Mandela had a dream for South Africa. He dreamed of a South Africa “which is in peace with itself”. As the father of South African democracy and the pioneer of peace, Mandela yearned for a rainbow nation, where all South Africans were united. Mandela’s dream for the people of South Africa was to have an economically free nation, where democracy, peace and security were a way of life for all her citizens. Mandela’s biggest hope for South Africa was the creation of a literate youth. He emphasised good and possibly free education for all, as he believed that “...education is a powerful weapon that we can use to change the world”. He yearned for a nation that could read the Constitution of her country, one which included and protected all races, religions and genders who were blessed enough to see the dawning of a new South Africa.

Mandela’s Dream is therefore the idealistic hope of all nations around the world. It is a government modelled on all factors leading to a successful and self-sufficient world power. It is a nation which relies on good governance, sound economic policies and a favourable regional environment to produce strong economic growth. Under such conditions, South Africa can reap the benefits of a government that delivers social and judicial services everywhere, one that upgrades social and economic infrastructure and maintains security for all. It is a country which maintains high standards of democracy – a far cry from her dark and politically unstable past. With South Africa’s human rights, transparency, budget discipline and a tough stance against corruption, South Africa wins her people’s confidence. Carefully designed economic reforms are undertaken and foreign investment is sought, allowing for a more competitive economy where indigenous ownership and access to capital is encouraged.

By 2055, South Africa has known years of peace, where democracy has been the pride of her people. She has enjoyed a time of incorrupt governance, with a sound 5-6 per cent year on end economic growth in GDP and lower unemployment and poverty rates. South Africa is basking in her democratic glory, where a better quality of life is promised to all. South Africans no longer stand together in protest, but rather as a nation joined in unity on their journey towards forgiveness, healing and, most importantly, evolving into a country free from oppression.

By 2055, South Africa has enjoyed four decades of a new set of governance and values. South Africa is now a country which places great emphasis on the quality of life of all her citizens, solidarity amongst them and environmental protectionism - beliefs which are polar opposites to a country once governed by the creed of consumerism and individualism. South Africa is now a country which enjoys pro-environment and anti-poverty policies, galvanising sustainable economic development. The enhancement of a good quality of a life for all has become the foundation for growth in South Africa. As a nation, she has witnessed a departure from the old capitalist economic system, and is now a country which strives for the employment of moral and value-based politics. South Africa is now a beacon of light which leads by example and sets new standards as part of BRICS in promoting greater solidarity among developing countries.

Towards 2055, South Africa has seen many benefits and growth since her integration into global economics and part of the BRICS group of countries. In the past four decades leading up to 2055, there has been strong integration of the South African economy, a relatively benign political context and worldwide progress on tackling environmental risks. It is because of her involvement in global economics that strong institutions have emerged out of Southern Africa. This institutional strength has been welcomed by an ever-growing and strengthening South African economy. The emergences of these institutions have also enhanced international trade, allowing South Africa to join the ranks of other international trade powerhouses and to help establish the global agreements on the mobility workers. This ever-evolving and strengthening globalisation of South African corporations has helped increase the competition for both skilled and unskilled labour.

South Africa has become a much safer place to live in towards 2055, as government has taken precautions to strengthen our security, law and policing systems. South Africa is now a place free from the shackles of crime, corruption, illegal trade and trafficking. As a democratic country, South Africa's governance has drastically improved, allowing all her citizens to walk in South Africa's diverse and vibrant streets, free from the worry of crime. As is fitting of a democratic country, South Africa's law regulations have also been adjusted accordingly to protect and defend all South African citizens. South Africa has made provision for security and justice and her people are hopeful of political leaders, as they strive to maintain their country's law and order.

Towards 2055 in South Africa, a sustainable livelihood has been built, increasing the productivity of the increasing 56 million people living in South Africa. Many efforts were placed on the support and building of education, health, information and knowledge, as well as access to finance, and other means of living towards 2055. Citizens' food supply, assets and income became a concern of the then government during the 2010s.. It was because of this that specific lead programmes became prioritised. Amongst these programmes was the building of effective and qualified developmental local governments representing all culture groups, which has been discussed and argued to be the most important change needing to take place in order to reach the South Africa dreamt of by Mandela. Another programme of importance brought in by the ruling party was the redeployment of experienced senior public servants of all culture groups from provincial and national levels, as well as secondments from the NGO and private sectors. These experienced and qualified public servants were redeployed into this new developmental local government, set on the creation of a true new rainbow nation, capable of having her own footing on an international level. This developmental role of local government has then succeeded in its aim to improve, plan, and ensure integrated service delivery and insure participation by communities in identifying their own priorities in the planning process towards 2055.

The encouragement of global private investment in resourceful and current telecommunications, transport infrastructure and energy supply has enabled the upgrading of the economic infrastructure together with the social infrastructure. South Africa is now enjoying a lifestyle never dreamed of prior to 2013. She is now a country which supplies 80 per cent of her people with clean drinking water, as well as the upgrade of clinics, schools, classrooms, roads, police stations and other transport infrastructure. South Africa has become a place where her truly democratic, well-trained, productive and effective leadership is an example to the rest of the world.

In summary and towards 2055, South Africa will no longer have poverty traps in rural areas and urban townships; workers isolated on the periphery of cities; inner cities controlled by slumlords and crime; sterile suburbs with homes surrounded by high walls and electric fences; households spending 30 per cent or more of their time, energy and money on daily commuting; decaying infrastructure with power blackouts, undrinkable water, potholes and blocked sewers; violent protests; gridlocked roads and unreliable public transport; new public housing in barren urban landscapes; new private investment creating exclusive enclaves for the rich; fearful immigrant communities living in confined spaces; or rural communities dying as local production collapses. Instead, South Africa will have productive farms; well governed villages, towns and cities; tolerance; democracy; fairness and respect for the environment; citizen-centred services; secure water and food supplies; diverse and cleaner energy supplies; more walking and cycling; security barriers coming down in suburbs as people reclaim their streets; a mix of housing types and tenures to meet different needs; energy-efficient homes; fewer private cars on the roads and decent public transport; public spaces where people from different social groups mix; well-maintained infrastructure supporting dynamic businesses and vibrant economies; recycled waste generating renewable energy; young people actively engaged in local decision-making; immigrant communities making a contribution; rural areas fully integrated into the local

economy and new technologies used in buildings for infrastructure and government. Finally, South Africa is a place that our best leader, Mr Mandela, can be proud of, her people can rejoice in and her future citizens can look forward to.

Second scenario – The Good, the Bad and the Ugly

The second scenario which will be mapped out is titled ‘the Good the Bad and the Ugly’. In this scenario although the South African government benefits from reasonably sound governance, it is, however, less fortunate in regional environment and less resolute in economic growth. Recovery efforts are hampered by external forces, although the South Africa government adopts sound governance and economic policies. There is large room for improvement, yet all hope is not lost. A large portion of the government budget goes towards eradicating poverty; however, a cloud of civil unrest simmers above the head of the nation. Illicit mining and trade continue, and South Africa is hampered further by ethnic and cultural tensions and economic disparities. There is much work to be done in this South Africa, a place where the investment climate is seen as a high risk, and where the pendulum of peace can swing either way. The economy remains uncompetitive and investment potentials remain unfulfilled. The rejuvenation of a country once plagued by apartheid is slow, yet continues to move forward by investing in security enforcement, good and free education and well governed and balanced infrastructure development. There is a glimmer of hope for the nation, as she moves precariously and slowly upward towards 2055. However, in this scenario it is believed that the South African economy did recover a sufficient growth potential early, when people strengthened their expectations about their future through good governance. Implementing all structural reforms that aimed towards a competitive society thriving on global trends and putting the bubble economy completely behind South Africa were instrumental in enhancing this movement. Considering labour input capital stock, and technological progress (total factor productivity), the South Africa economy was still able to grow by around 2 per cent per year.

Towards 2055, South Africa also has a working and liberal economic system; however, it has failed to develop a differentiated production and service economy. The raw material-dominated industrial complex still constitutes a substantial part of the economy. The development of a strong middle class, something important in every economy, has been hampered by a lack of diversification of domestic industry. Regular economic downturns depress the globalisation, growth and social development throughout South Africa and, for that matter, in Africa. Whilst this has been happening within the economy, the demographic drivers in South Africa mean there is still a demand for in-migration in key sectors such as elderly care. The pressure for migration has increased, driven by lower growth, scarcity of critical resources, declining living standards and lower productivity. These pressures exist in a policy environment hostile to international cooperation that leads to tighter border policies and more control over migration-related matters.

Towards 2055, long-term domestic and foreign investments are important for South Africa, and therefore clearer strategies for obtaining both are needed. However, the difficult economic environment poised on the national and provincial investment agencies, from developmental funding to youth funding, make capital hard to come by. The inability to attract high levels of investment and the inefficiency of local funding insure that the wealth of South Africa remains with a few elites. The reason for this is that diversity in management has not been achieved anywhere in the economy, something South Africa has battled to achieve since 1994. The government and senior management have been predominately black, whereas the private sector remains in the hands of white South Africans, throwing much needed diversity off balance. The South African government has become more comfortable with outsourcing aspects of high priority services, such as social grant payments, hospital provision, and the running of prisons, housing, schools and universities to the private sector.

The problem experienced during this scenario is that education and health are highly privatised and therefore only the rich elite can afford education and health services. The majority of the citizens living in rural areas are left uneducated, and unhealthy with fearsome diseases, issues which remain unacceptable. Owing to the high levels of illiteracy towards 2055, the majority of the population lack basic skills. The consequence of such neglect is that rural communities lack access to basic needs such as water, food, education, health care, sanitation and security. The things which many South Africans take for granted are foreign concepts to the majority of the country, living mere kilometres away. It is owing to these horrific circumstances that South Africa suffers from low life expectancy levels and high infant mortality rates towards 2055.

These conditions, rightly considered unacceptable by the majority of rural dwellers, have been contested, resulting in higher crime rates, conflict and cultural differences. Despite a commitment to better government, and to the more effective redistribution of wealth, the reality of a slowing economy makes it difficult for South Africa to keep up with the expectations it has itself created. It is common for governments worldwide to promise things they are unable to deliver. In the case of South Africa, job and poverty targets have failed miserably. Weak physical infrastructure has also been a key factor that has prevented South Africa from successfully integrating into global trading systems. Poor infrastructure accounted for 40 per cent of transport costs for coastal provinces and 60 per cent for landlocked provinces. It can therefore be argued that South Africa has failed to expand services fast enough to keep up with rapid demographic growth and urbanisation owing to poor economic conditions. Perhaps one of the greatest reasons South Africa has not reached her true potential is the continuation of a few elite-sponsored BBBEE business agreements. Towards 2055, in most capitalist-driven nations the gap between the haves and have-nots is constantly expanding, a notion not foreign in South Africa.

In summary, towards 2055 a common platform of fairness, accountability, responsibility and transparency has been established with the view to effectively utilising public resources. However, low levels of openness and weak economic conditions have prevented South Africans from striking the partnerships with the rest of the world that would make a meaningful contribution to regional human capital development. In this scenario, there are few foreign and local joint ventures, with the result that local people are not exposed to best international practices. Low levels of openness have become a result of South Africa's failure in negotiating for market access to more developed and higher income communities. As a result of this, South Africa has not opened up enough quality of labour in the country. The export and import efforts of South Africa as a percentage of real GDP have eventually gone into decline towards 2055.

Third scenario – Pyramid Syndrome

In the 'Pyramid Syndrome', a less significant government than in that of 'the Good, the Bad and the Ugly' prevails, especially in the early years with a selected few corrupt government autocrats filling up their personal coffers, but a fortunate economic environment and firm national management have allowed the Republic of South Africa to become competitive and benefit from satisfactory economic growth. Initially, dissatisfaction crept in due to the ruling party's inability to deliver social rehabilitation and employment, or to eliminate corruption and nepotism. Towards 2055, the citizens of South Africa refused to live under such governmental rule and the weaknesses of this rule have led to widespread protest, backed by western interests. There is a new political arena fighting for a more disciplined regime whereby draconian measures can eventually be brought in to stamp out corruption and illicit operations, bringing back the rule of law and government authority, although civil rights, transparency and the social sectors backing security, education and infrastructure development receive lower priority. However, seeing that economic growth of around 5 to 6 per cent year on end could address poverty, the government has been forced to work with multinationals and international agencies to modernise infrastructure, to utilise natural resources, and to successfully stimulate much needed growth.

Towards 2055, South Africa's economy has reached prosperity without any political reform or an effective government. Despite favourable conditions and excellent economic growth, accumulated debt weighs heavily on South Africa's shoulders. Poor planning and coordination and bureaucratic inertia overlaid with startling levels of animosity among politicians have started to filter through to the still strong performing economy. This is largely because the divisive events of the black-dominated ANC and complex court cases due to poor governance result in continuing hostility and suspicion in the ruling party. Cracks within the government itself are beginning to emerge, which come with worrying effects for the South African economy and all its citizens. For a while, South Africa enjoyed the benefits of sound economic growth, driven by a more stable global economy. With the South African government not succeeding, it is clear that the failure has been due to negligible consequences of inefficiency, corruption, poor productivity and bad governance. Unions and political connections protect the poor performers. Cleverer but less productive staff take advantage of the uncertainties at senior management level. The key performance agreement is honoured mostly in the breach and eventually collapses towards 2055. South Africa is in desperate need of a new government and educated people to take over the reins of a nation in desperate need of guidance.

The South African government made a feeble effort to get corruption under control, as corruption has worked in their favour at all levels by letting tenders go to companies with overt connections to well-positioned individual and culture groups within the ruling party. The government celebrates vulgar displays of wealth and privilege while the majority of the country live without electricity, clean running water or inadequate sanitation. The power-hungry rule a nation plagued by poverty and heart-breaking issues such as HIV and AIDS, all the while taking tax money away from those who need it to survive. Thus the Pyramid Syndrome.

Towards 2055 the South African government no longer plays a significant role in managing the country's legislature. Law enforcement has been decentralised and is in many cases carried out by private crime fighters hired by individuals and corporations alike. The concept of the social welfare state is also a distant memory; individualism and materialistic gains are the main driving forces in the economy. South Africa is involved in African guerrilla war-type governance, where each citizen is forced to defend his or her best interests, as all faith in the South African government and the civil services, or lack thereof, has been lost. The demise of social and political justice has increased the polarisation of wealth, resulting in strong divides in society. Far behind in technological development, social and political mechanisms have hopelessly failed to cope with technological change. Politics, government, law and justice systems have been harder to update because they were highly based in strong cultural paradigms. Paradoxically, the globalisation has contributed by making national legal systems irrelevant and global legal systems impractical because it is impossible to reach agreements owing to the same cultural diversity.

Towards 2055, South Africa has become wealthier as global GDP grows but less happy as the differences between the haves and have-nots have become starker and increasingly immutable. South Africa is increasingly denned by two self-reinforcing cycles, one virtuous, leading to greater prosperity, the other vicious, leading to poverty and instability with political and social tensions increasing. Among South Africans there are clear-cut winners and losers. South Africa has splintered and eventually falters.

Fourth scenario – the Historical African Syndrome

South Africa fares less well in the fourth scenario, 'the Historical African Syndrome'. The country continues suffering from a one-sided bad government, continued personal greed and internal and external conflict, drifting from crisis to crisis, mostly of its own making. Unfortunately, South Africa is on the same path of destruction as some of the poorest countries in the world. Initial attempts at rehabilitation and stability do not work, worsened by an influx of

more refugees from countries with the same or worsened plight from all over Africa. The South African government cannot deliver non-corrupt, well-managed services; education is poor; humanitarian aid declines; food production does not recover; governance is inequitable; and civil unrest grows. Young men of all culture groups return to fighting; the brain drain thrives. Poor macroeconomic management brings inflation and a lack of public resources; investors avoid South Africa and donors withdraw. In the lawless environment HIV/AIDS and disease escalate. There are coups d'état and war, religious fundamentalism and cultural terrorism and continued links to international crime. The main losers are the desperately poor people, helplessly caught in a maelstrom of conflict and the ambitions of local and selfish leaders. They are the ones who are once again burdened by an ill-qualified and corrupt government. By 2055, with yet another civil war, the cycle of violence and despair repeats itself over, and over.

Towards 2055, several South African economically depressed cycles are in full swing and economic activity reaches an all-time low. This is the worst-case scenario with high inflation and unemployment figures, referred to as 'stagflation'. This leads to double-digit interest rates for several years until inflation goes down to most reasonable levels. While stocks suffer greatly, lands do even worse. Citizens feel the burn of an unstable economy. By 2055 South Africa has been predominantly shaped by long periods of economic instability, as economic growth stalls in South Africa. Instead of collaboration and mutual understanding between cultures, many South Africans are facing a breakdown within their own structures. It is a chaotic period for the South African country, as gated cities emerged. Citizens no longer felt safe in their cities, opting to live behind electric fences and high walls. By 2055, although there are many corporations in South Africa, they seem to behave like predators. Resources are used with no respect for the natural environment, as the land and her animals are abused, killed and squandered. There is a marked lack of cooperation between corporate and communities. Instead, there is a clash of interests and a general lack of understanding, or respect, on both sides. The people of South Africa have been struggling under the burden of economic hardships as they have been extremely despondent with the one-sided and black dominated political situation, since the country has been run by the few ruling elite who are exploiting it to serve their own needs. Government officials live in lavish homesteads while their people suffer. This picture of pathos will break many a heart internationally. Well-remunerated government appointments and top positions also seem to go to people who are well placed with the government, regardless of merit, qualification and experience. Government has failed to deliver on its promises of family support, refurbishment of schools, health facilities, housing or clean drinking water because of inefficiency, corrupt practices, arrogance and an influx of refugees.

Towards 2055, South Africa has become a lawless country where anger and violence are rife. South Africa is now caught in a downward spiral, fanning the flames of ethnic animosity and witnessing the formation of ethnic militias. Widespread corruption continues unabated. The youth of South Africa have no jobs – those who have survived the AIDS scourge, that is. The youth who stay at home all day become depressed and apathetic, turning to crime as the only alternative. Armed gangs emerge throughout the South African country, the Constitutional crisis deteriorates and regional conflicts escalate and threaten to spread. Enormous pressure is brought to bear on the South African country. The populace is no longer confident in the ability of the one-sided state's government to enforce the law and many South Africans are taking no account of it in the running of their affairs. Instead, they rely more and more on informal establishments, based largely on ethnic allegiances. To aggravate matters further, the South African government has lost its capacity to enforce the law – it can no longer hold together different groups in the delicate balance of power and rewards.

South Africa is in a no better position to where they were forty years prior, having learnt nothing from her many years of hardships. Meanwhile, national development and the delivery of services to citizens have lagged despite ANC leaders' earnest campaign promises. Health and education

systems especially have suffered from government neglect, and widespread dysfunction in local governments has prompted public demonstrations, which in most places have been countered with police violence. Peaceful protest is a thing of the past as citizens opt for a more violent approach in getting their pleas across. These problems have been compounded by the ANC's policy of 'deployment', whereby the selection of candidates for government jobs at all levels is inordinately influenced by the candidates' perceived loyalty to the ANC rather than by the possession of requisite professional qualifications. South Africa is not only being led by corrupt government officials, but by uneducated ones at that.

Although South Africans have celebrated the diversity of their cultures since 1994, there is no real substance to their traditional practices; as towards 2055 these have become perfunctory. The vital connection between the individual and insular race-based traditional cultures has forever been lost when South African society retreated into structured hierarchical racial lines. Towards 2055 as part of bad governance and poor economic conditions, the health system is struggling to cope with the collision of four excessive health burdens: communicable disease (especially HIV/AIDS); non-communicable disease; maternal, neonatal and child deaths; and deaths from injury and violence. These health problems are rooted in distinctive features of South Africa's poor governed strategic planning to cater for the poor. The migrant labour system has resulted in dispossession and impoverishment of the majority black population and has contributed too many of the major health problems through social changes which has led to the destruction of family life, alcohol abuse, and violence, particularly gender-based violence. Vast income inequalities have also resulted from the cumulative effects of wide-ranging discrimination and an array of racially-based BBBEE legislation.

Towards 2055 the South African country's infrastructure has also taken a catastrophic turn as more than 80 per cent of the country's citizens have no clean drinking water and sanitation is at its worst. The consumption of municipal potable water and the disposal of sewage into municipal systems have not been minimised and increased storm water runoff and water pollution have not been avoided towards 2055, causing greater risk of waterborne diseases. The government has neglected to improve the infrastructure of the roads and railways, leading to a high number of road deaths due to potholes and torn roads. The disastrous state of South Africa's roads has further been caused by poor management and unavailable funds to reconstruct and maintain them - the story of a country fuelled by governmental greed.

Medical services are also deteriorating rapidly and some South Africans have had to leave the country to seek medical treatment. Signs of the healthcare crisis have been obvious for some time to the few doctors still available in the country's hospitals. The international community that normally intervenes in situations like these are unwelcome now in South Africa, unless the underlying political problems can be solved. Hospitals have become seriously understaffed as nurses and doctors leave for more stable jobs abroad. Surgeons and anaesthesiologists have stopped doing any state-sponsored operations to protest about the poor working conditions and inadequate supplies. The surgeons say they are afraid of ruining their reputations by continuing to lose patients by going into theatre without adequate government supplies and equipment. While doctors and even members of parliament blame the government for the crisis, the government lacks political commitment and will.

In summary, it turns out that the majority of the government have absolutely no knowledge of economy and perceived good governance. They are totally incapable of satisfying even their own personal needs. As a result, the majority of enterprises have been closed and abandoned and South Africa has become like the rest of historical Africa.

RECOMMENDATIONS AND CONCLUSIONS FOR SOUTH AFRICA TOWARDS 2055

The proposed four scenarios above are multifaceted, and many more comparisons and messages can be elaborated. The proposed scenarios are not predictions, but merely four possible stories of how South Africa could develop, based on important variables and uncertainties. The significance of these scenarios is to learn from them in setting the strategic agenda for the future.

Humankind's understanding of what drives national prosperity has evolved over time. Natural resources, population growth, industrialisation, globalisation, geography, economics and productivity might all have played a role in the past. Researchers also know that the relative importance of these drivers has shifted over time, and that in recent decades, more importance has been given to the coherence and quality of policies and the development of supporting institutions (López-Claros & Mata, 2010). A relative newcomer to this debate, identified as perhaps one of the most important modern engines of productivity and growth, has been the innovation excellence of a country; that is, its industries, researchers, developers, creative thinkers, enlightened politicians, managers, and clusters (Ferguson, 2008; UN, 2012; World Bank, 2013).

As presented in the scenarios above, the future is, however, open to great potential, depending on South Africa's actions and inactions. It is the choice of South Africans to therefore choose which path to follow in terms of future development as a nation. If good policies are implemented and all work scrupulously, Mandela's dream should be achieved. If, on the other hand, bad policies are implemented, South Africa will persist in falling behind with the associated consequences of poor human and social development.

South Africa's leaders, professionals, entrepreneurs and decision-makers alike all owe its citizens aspects such as ethics, honesty, respect, trustworthiness and not doing harm to anyone or anything. Leaders should strive to implement moral obligations to improve the public welfare and to add additional moral burdens that apply specifically to carrying out one's role as a professional, as well as to serving the people of South Africa. Decision-makers therefore, have to maintain and improve the well-being of its current citizens, and those of the future, as well as the life-sustaining capacities of the earth. In South Africa, one of the most efficient prevention strategies of future unrest or even rebellion is jobs (Herbst & Mills, 2006). South Africa, a country rising out of conflict, has to ensure such jobs - to build on the basics to ensure firstly, that they are in place, including human and hard infrastructure such as roads, transport, medical facilities, electricity and ports; and secondly, that the traditional drivers of economic activity are completely restored. Since South Africa has been blessed with some natural resources, it will have to meet the challenge of investing these proceeds and diversifying its economic base.

South Africa has many obstacles to overcome before any developmental milestones are achieved. The country is not only limited by good governance standards, but still has elements of corruption, crime, low life expectancies, uneducated population, failed infrastructure and poor access to technology. This list still needs to be addressed in order to spark development for South Africa towards 2055. Economic well-being has the apparent potential to develop the health of the population, access to sanitation and clean water as well as access to technology. If South Africa can focus on improving its governance efforts, the chances of positive development will be greater (Gopal & Tyler, 2010).

REFERENCES

- Acemoglu, D. & Johnson, S. 2006. Disease and development: the effect of life expectancy on economic growth. Working Paper 12269. Cambridge: National Bureau of Economic Research.
- Adendorff, C.M. & Collier, D. 2015. An umbrella for the rainbow nation: Possible futures for the Republic of South Africa towards 2055, Port Elizabeth: Cadar.

- Adendorff, C.M. 2011. Possible futures for Sierra Leone towards 2051. Stellenbosch: University of Stellenbosch.
- Alberti, A. & Bertucci, G. 2001. Globalization and the role of the state: challenges and perspectives. Available online at: <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan006225.pdf>. [Accessed February 2012].
- Anderson, A. 2011. South Africa: nation has lowest employment rate. Available online at: <http://www.freerepublic.com/focus/f-news/2546363/posts> [Accessed February 2012].
- Banga, W. 2003. Impact of government policies and investment. Indian Council for research on International Economic Relations. Working Paper no.116. Cigilibrary.
- Bell, W. 2003. Foundations of futures studies - History, purposes, and knowledge 1 (2.). London: Transaction.
- Bulgar, C. 2011. High productivity, skilled workers attract foreign investors. Available online at: <http://online.wsj.com/ad/article/france-productivity>. [Accessed February 2012].
- Bureau of African Affairs., 2010. Available online at: <http://www.gov.za> [Accessed June 2012].
- Caldwell, R.L. 2010. Driving forces: instructor's viewpoint. A University of Arizona course on methods and approaches for studying the future. Tucson: Arizona Press.
- Carpenter, S.R., Bennett, E.M. & Peterson G.D. 2006. Scenarios for ecosystem services: an overview. *Ecology and Society* 11(1): 29.
- Chang, H.J. 2008. South Africa paralysed by caution. *New Agenda* 31: 6–11.
- Dess, G.G. & Picken. J.C. 2000. Changing roles: leadership in the 21st century. *Organizational Dynamics*: Winter 2000.
- Duffet, B. 2012. Black economic empowerment progress in the advertising industry in Cape Town: challenges and benefits. *South African Review Journal* 13(3). 2009.
- Edigheji, O., 2007. The emerging South African democratic developmental state and the people's contract. Johannesburg: Centre for Policy Studies.
- Essel, 2012. Short-term insurance of political risks in South Africa. Available online at: <http://hdl.handle.net/10019.1/20005> [Accessed: August 2012].
- Ferguson, N. 2008. *The ascent of money: a financial history of the world*. London: Allen Lane.
- Fingar, T. 2009. *Reducing uncertainty: intelligence and national security. Using intelligence to anticipate opportunities and shape the future*. Stanford: Stanford University.
- Gopal, S. & Tyler, Z.C. 2010. *Sub-Saharan Africa at a crossroads: a quantitative analysis of regional development*. The Frederick S. Pardee Centre for the Study of the Longer-Range Future, Boston.
- Gounev, P.M. 2011. *Backdoor traders: illicit entrepreneurs and legitimate markets*. PhD dissertation, London School of Economics and Political Science, London.
- Grafton, R.Q., Kompas, T., Chu, L. & Che, N. 2010. Maximum economic yield. *Australian Journal of Agricultural and Resource Economics*, 54 (3): 273-280.
- Grant, R.M. 2010. *Contemporary strategy analysis and cases: text and cases*. Hobokon, NJ: Wiley.
- Hartmann, I. 2009. Africa's future: driving forces. *Encyclopaedia of Earth*. Available online at: <http://www.eoearth.org/topics/view/51cbfc8bf702fc2ba812cc39/>

- Herbst, J. & Mills, G. 2006. Africa in 2020: three scenarios for the future. Presented at Brenthurst. Discussion Paper 2. Available online at: <http://www.foresightfordevelopment.org/sobipro/download-file/46-99/54>.
- Heyns, C.H. & Stefiszyn, K. 2006. Human rights, peace and justice in Africa: a reader. Pulp.
- Hughes, 2003. Scenarios for ecosystem services: an overview. Ecology and Society Boston: Boston Press.
- IDISA, 2011. The effects of North Africa events on Zimbabwean politics. Available online at: <http://africanarguments.org/2011/05/25/the-effects-of-the-events-in-north-africa-on-zimbabwean-politics-by-brian-raftopoulos/> [Accessed May 2012].
- Kalombo, G. 2005. Understanding political corruption in post-apartheid South Africa: the Gauteng experience. PhD dissertation, Faculty of Humanities, University of the Witwatersrand, Johannesburg.
- Kasperson, R.E. & Turner, B.L. 1995. Vulnerability analysis is one part of the response side to his research, anticipated in regions at risk. Tokyo: UNU Press.
- Kennedy, K.J. 2003. Higher education governance as a key policy issue in the 21st Century. In Educational Research for Policy and Practice, 2 (1). Dordrecht, Netherlands: Springer.
- Labonte, M. 2011. China's currency: an analysis of the economic issues. Congressional Research Service, 3.
- Mammburu, L. 2011. Union warns nationalisation debate is rattling investors. Business Day. Available online at: <http://www.businessday.co.za/articles/Content.aspx?id=158639>. [Accessed February 2012].
- Mazarr, M.J. 2005. Global trends 2005: an owner's manual for the next decade. St. Martin's Press. New York. Available online at: <http://www.nuibooks.com/global-trends-2005-an-owners-manual-for-the-next-decade-PDF-1205901/> [Accessed June 2012].
- Mckinsey, T.A. 2012. The social economy: unlocking value and productivity through social technologies London: Mckinsey Publishing.
- Meyer, T.N.A. & Boninelli, I. 2004. Conversations in leadership. South African Perspectives. Randburg: Knowledge Resources.
- Moberg, F. 2012. Resilience thinking: your guide to an increasingly complex, interconnected and turbulent world. Available online at: http://www.albaeco.se/en/index.php?option=com_content&task=view&id=24&Itemid=8.
- Moll, 2000. The thirst for certainty: futures studies in Europe and the United States. Palo Alto, California: Foresight for Development Institute.
- Moya, K.M. 2012. Future scenarios: the art of storytelling. Available online at: <http://www.moyak.com/papers/scenarios-future-planning.html> [Accessed February 2012].
- National Planning Commission. 2011. National Development Plan Vision for 2030. Pretoria: Government Printers.
- National School Boards Association. 2008. Leadership and technology. National School Boards Association's Institute for the Transfer of Technology to Education. United States.
- Organization for Economic Co-operation & Development. 2009. Policy responses to the economic crisis: investing in innovation for long term growth. Paris: OECD.
- Pekeur, K. 2003. Available online at: <https://scholar.sun.ac.za/handle/10019.1/49239/browse?value=Pekeur%2C+Juanita&type=author> [Accessed January 2013].

- Peters, G. 2011. A look behind rising food prices: population growth; rising oil prices; weather events. Available online at: <http://ourfiniteworld.com/2011/02/16/a-look-behind-rising-food-prices-population-growth-rising-oil-prices-weather-events/> [Accessed February 2012].
- Ratcliffe, J. & Saurin, R. 2007. A workplace future: a prospective through scenarios. Dublin: Johnston Controls Facilities Innovation Programme.
- Seria, 2011. Available online at: http://en.wikipedia.org/wiki/Inequality_in_post-apartheid_South_Africa [Accessed April 2013].
- Sherwood-Johnson, F. & Paton, D. 2013. Risk and decision making in adult support and protection practice: user views from participant research. *British Journal of Social Work* 44(5): 1233-1250.
- Silke, S. 2010. Gender dimensions of social security reforms in transition economies: Issues, good practices and policy options. Background paper VI prepared for the ECE Regional Symposium on Mainstreaming Gender into Economic Policies, 28-30, Geneva.
- The China Pos., 2011. Available online at: <http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2011/07/04/308499/Taipei-Beijing.htm> [Accessed February 2013].
- United Nations. 2001. Footprints and milestones: population and environmental change. United Nations Population Fund. Available online at: <http://www.unfpa.org/swp/2001/presskit/english/summaryen.htm> [Accessed September 2013].
- United Nations. 2002. Best practices in investment for development: how to integrate FDI and skill development - lessons from Canada and Singapore. United Nations Conference on Trade and Development. United Nations Conference on Trade and Development, Geneva.
- United Nations. 2007. Industrial development for the 21st Century: sustainable development prospects. United Nations: New York.
- United Nations. 2007. Public administration and democratic governance: governments serving citizens. 7th Global Forum on Re-inventing Government Building Trust in Government, 26-29 June 2007, Vienna.
- United Nations. 2009. Ban Ki-moon warns of catastrophe without world deal on climate change. Summit on Climate Change, Seoul.
- United Nations. 2010. Demographic and social statistics Available online at: <http://unstats.un.org/unsd/demographic> [Accessed September 2013].
- United Nations. 2011. Beijing international forum on people-to-people friendship. Washington: United Nations Department of Economic and Social Affairs.
- Van der Westhuizen, C. 2009. A composite view of government's strategy to assist the unemployed in South Africa. Available online at: http://cloud2.gdnet.org/cms.php?id=research_paper_abstract&research_paper_id=7965 [Accessed February 2012].
- Venter, A. 2005. A comment on current political risks for South Africa. *Strategic Review for Southern Africa*, 27(2): 28-54.
- World Bank, 2012. Accounting for future uncertainty. Available online at: <http://theafricareport.com/index.php/newsanalysis/whatwillafricalooklikein206051709348.html> [Accessed June 2012].
- World Economic Forum, 2010. Available online at: http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2010-11.pdf [Accessed June 2012].

- Yoe, C. 2004. Scenario planning literature review. Available online at: <http://www.corpsnedmanuals.us/FloodDamageReduction/FDRIncludes/FDRYoeLitReviewSept204PG102504.pdf> [Accessed November 2013].
- Yoe, C. 2012. Scenario-based planning and decision-making: guidelines for use in the U.S. Army Corps of Engineers planning studies and literature review. Available online at: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.464.8575&rep=rep1&type=pdf>
- Zaayman, W.H. 2003. Political risks in South Africa for Taiwanese investors. MA thesis. Rand Afrikaans University, Johannesburg.