Overview

Introduction

Democracy presented government with twin challenges:
- institutional transformation and the introduction of new policies in line with the democratic Constitution
- dealing with the legacy of apartheid in South Africa while integrating the country in a rapidly changing global environment.

From 1994, the State has set out to dismantle apartheid social relations and create a democratic society based on equity, non-racialism and non-sexism. New policies and programmes have been put in place to dramatically improve the quality of life of all South Africans.

This process, defined in the Reconstruction and Development Programme (RDP), has been elaborated in all post-1994 policies. The RDP identifies the following key objectives:
- meeting basic needs
- building the economy
- democratising the State and society
- developing human resources
- nation-building.

The RDP objectives were elaborated to include more specific priorities of different government clusters and departments. In 2003, government conducted the *Towards a Ten Year Review* to see how it had met these objectives through the work of its five clusters, and to assess the challenges of the Second Decade of Freedom.

Governance and Administration Cluster

The first years of democracy saw a new constitutional and legislative framework introduced. The Constitution was adopted in 1996 and an average of 90 Acts of new legislation were introduced per year in the first 10 years.

New global standards of governance are emerging. These include governance reforms and performance areas. Citizens of developing countries are demanding better performance on the part of their governments, and they are increasingly aware of the costs of poor management, corruption and lack of delivery in certain areas. South Africa is no exception. A compendium of development indicators has been identified for government-wide monitoring and evaluation (M&E) to measure the

performance of the South African Government both in the medium and long term, using indicators for:
- governance and institutional quality
- social development and poverty alleviation
- economic development and growth indicators
- justice, peace and security
- international relations.

These indicators are deemed most appropriate to South Africa's particular needs and will be refined over time.

Achievements

The integration of Bantustan and central government civil services into an integrated public service has been a great success. Plans to create an integrated public service including local government are underway.

Integration increased the number of personnel and amount of expenditure and resulted in the implementation of Resolution 7 of the Public Service Co-ordinating Bargaining Council Agreement to address the restructuring of the Public Service. This involved the identification of skills with job descriptions and the retraining of staff. The Public Service has also come close to meeting its targets of representivity – previously disadvantaged people, mainly Africans, now make up the majority of the Public Service.

The introduction of a senior management service improved conditions with the aim of retaining and attracting skilled personnel in the Public Service. There is more stability in the top echelons although

a general lack of technically skilled personnel at all levels is a matter of concern. This is particularly acute in provincial and local government. Career-pathing, especially at the highest levels of the Public Service, is not yet fully developed, and skilled and experienced personnel developed since 1994 are being lost to the private sector.

In the 11 years of democracy, government has established public entities to allow flexibility in conditions of service, to retain income from revenue raised, to expedite systems such as procurement, to ensure operational autonomy and to implement commercial principles and practices. They receive considerable state funding and employ more than 288 980 people. The challenges facing them, which government is addressing, relate to performance, corporate governance and in some cases orientation to the Government's overall development objectives. A policy framework for the administration and governance of public-sector institutions has been developed to address these challenges. By April 2005, there were 280 registered public entities. This figure can be broken down as follows, using the classification in the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999):
- major public entities: 18
- national public entities: 138
- national government business enterprises: 30
- provincial public entities: 81
- provincial government business enterprises: 13.

This total figure excludes constitutional institutions of which there are nine and which are not regarded

Level of representativity in the Public Service										
	African		Asian		Coloured		White		Female	Male
	Female	Male	Female	Male	Female	Male	Female	Male	Head Cnt	Head Cnt
Eastern Cape	57,1%	30,1%	0,2%	0,3%	4,3%	2,6%	3,4%	1,8%	65,2%	34,8%
Free State	47,1%	33,1%	0,1%	0,1%	2,2%	1,3%	11,0%	5,3%	60,3%	39,7%
Gauteng	49,1%	24,5%	1,6%	0,9%	2,6%	1,2%	14,5%	5,5%	67,9%	32,1%
KwaZulu-Natal	53,4%	27,8%	6,7%	4,7%	1,4%	0,6%	3,7%	1,8%	65,2%	34,8%
Limpopo	52,7%	44,8%	0,1%	0,1%	0,1%	0,1%	1,5%	0,8%	54,3%	45,7%
Mpumalanga	54,7%	34,6%	0,2%	0,2%	0,5%	0,2%	6,5%	3,0%	62,0%	38,0%
North West	56,3%	34,2%	0,2%	0,3%	0,9%	0,5%	5,3%	2,4%	62,7%	37,3%
Northern Cape	19,0%	13,1%	0,2%	0,2%	31,3%	20,4%	11,2%	4,6%	61,7%	38,3%
Western Cape	9,7%	5,6%	0,4%	0,3%	40,9%	22,9%	12,8%	7,4%	63,7%	36,3%
National departments	17,6%	46,4%	1,4%	3,8%	2,8%	5,8%	8,8%	13,3%	30,6%	69,4%
Total	39,1%	34,6%	1,7%	2,0%	4,9%	4,0%	7,4%	6,3%	53,0%	47,0%

as public entities. It also excludes any subsidiary entity or entity under the ownership control of any other entity.

The introduction of the PFMA, 1999 improved accountability in government and to Parliament. Implementation of the PFMA, 1999 and the change to a medium-term budget cycle have improved budgeting and national and provincial financial management. The challenge remains to include local government within government's budgeting and planning cycles. The national planning framework is a government tool that ensures that the strategic priorities of government are held in view by all three spheres and public entities. The review of the national planning framework was presented to the Cabinet Lekgotla in July 2005. The Policy Co-ordination and Advisory Services unit in The Presidency is updating the national planning framework and will publish the documents for all three spheres of government. The reviewed national planning framework clarifies the alignment of fiscal, strategic and political cycles of government as indicated below.

The National Spatial Development Perspective (NSDP) was developed to facilitate dialogue between and within spheres about the country's spatial priorities for infrastructure investment and development spending. The introduction of integrated development plans (IDPs), as well as the Cluster approach, the Forum of South African Directors-General (FOSAD), the Presidential Co-ordinating Council and the restructured Cabinet committees have all contributed to better co-ordination of policy-making and implementation. The Presidency is leading the alignment of the NSDP, provincial growth and development strategies (PGDS) and IDPs. Guidelines for the formulation and implementation of PGDS are being used to assess all PGDS through a self and peer review mechanism. Through this process, municipalities should have clearer direction in respect of economic development and spatial restructuring of their areas. The review and update of the NSDP are underway.

In an effort to improve service delivery, multi-purpose community centres (MPCCs) have been set up to provide information and services to the public.

The aim was to establish one per district/metro by the end of 2005 and then expand them to each municipality in the next decade. Phase I of the MPCC programme – an MPCC in every district – is nearly completed and Phase II has begun. By September 2005, there were 66 operational MPCCs while only four districts still lacked MPCCs – Eastern Cape (three) and Northern Cape (one).

The Batho Pele Gateway is making comprehensive information about government services instantly available through government offices, MPCCs, citizen post offices (CPOs) and intermediaries such as community development workers (CDWs) and community and development organisations. Phase One of the Batho Pele e-Government Gateway was launched in August 2004, with a portal at *www.gov.za*. The Batho Pele Gateway call centre's number is 1020. By October 2005, nine MPCCs and 55 CPOs had been linked to the Gateway Portal.

This is being complemented by the decision taken in 2003 to introduce CDWs to enhance access to government's socio-economic programmes. The key function of these multiskilled CDWs is to maintain direct contact with the public. By September 2005, 2 238 full-time CDWs and CDW learners had been recruited and were active in the programme. Of this number, 1 329 had completed their yearlong learnership programme. Provinces were recruiting a further 920 CDW learners, which will bring the total of CDWs to 3 158. Progress made by September 2005 indicated that the initial target of 2 840 CDWs countrywide would be exceeded by March 2006.

CDWs have been recruited particularly in Urban Renewal and Integrated Sustainable Rural Development Programme nodes.

Public reaction to high-profile government's commitment to fight corruption has been positive. Since 1994, government has initiated various anti-corruption programmes and projects. In March 1997, the departments responsible for the South African National Crime Prevention Strategy (NCPS) initiated a programme to work on corruption in the criminal justice system (CJS). In June 1997, the Code of Conduct for the Public Service became part of the regulations for every public servant.

The National Anti-Corruption Forum is a national structure that brings the public, business and civil-society sectors together to further national consensus against corruption. The second National Anti-Corruption Summit was held in March 2005. The summit adopted 27 resolutions as the basis of a national strategy to fight corruption and involved representatives from all sectors of the society including government; Parliament; national, provincial and local administrations; unions; business; non-governmental organisations (NGOs); community-based organisations (CBOs); academia; research institutions; and CDWs. The National Anti-Corruption Programme was developed on the basis of the 27 resolutions that were agreed to at the summit. An implementation committee has commenced with its first project on the Prevention and Combating of Corrupt Activities Act, 2004 (Act 12 of 2004).

Programme of Action

Each year, government defines a programme of action for the year to advance implementation of its electoral mandate. The programme is defined by the January Cabinet Lekgotla, attended by ministers, deputy ministers and now also premiers of provinces, as well as senior officials.

The President announces the programme in the State of the Nation Address at the beginning of the parliamentary year and it is further elaborated in a week of media briefings at that time by the ministerial clusters.

Reflecting the emphasis in the Second Decade of Freedom on implementation, an M&E system was initiated by the Government elected in 2004. Clusters report every two months to Cabinet on progress in implementing the programme, and identify challenges and problems as well as remedial measures. A mid-year lekgotla in July reviews implementation and identifies emerging priorities.

The Programme of Action and the results of the two monthly cycle of reporting are communicated to the public in various ways – through the government website; regular ministerial media briefings; and mass multimedia communication via print and broadcast media as well as information products produced by government. Communication is struc-

tured to promote the widest dissemination, including to people with the least access to media.

These activities are part of the first phase of the development of a government-wide system (GWM&ES), introduced to promote implementation and facilitate public involvement in M&E and in partnering government in implementation.

The first phase of the implementation of the GWM&ES has included formulating minimum standards and improving contributory systems. The initial draft report on reporting norms and standards was expected to be completed by year-end 2005. A draft proposal to enhance and align the Electronic Information Management System and the Programme of Action System is under discussion.

Challenges

A major challenge arising from the *Ten Year Review* is improved performance by the State to achieve policy objectives that are largely correct.

During the first 10 years, a major new architecture of institutions was created for the State, spanning the three spheres of government. Many procedures and practices have been revised in line with international best practice. Significant personnel mobility has brought in new skills and motivated people, though it has also led to the loss of experience and institutional memory, especially regarding civil servants recruited after 1994. The combined impact of these changes has meant that state institutions are still undergoing significant growing pains and face the danger of a permanent and debilitating state of flux.

Government is working on proposals for the establishment of a single public service to allow for skills and human resources allocation across the three spheres of government. This work will also enhance implementation of the Intergovernmental Relations Act, 2005 (Act 13 of 2005).

The *Ten Year Review* suggested that the capacity and performance of all spheres of the State need to be more critically assessed, and that national or provincial government may need to intervene much more quickly where there is evidence of poor performance. The national Government may have to show its strong commitment to improving performance where institutions persistently demonstrate

weaknesses of governance. This should happen as an evolutionary process of creating a uniform public service across all three spheres unfolds.

FOSAD is working on a review of the capacity and organisation of the State. The July 2005 Cabinet Lekgotla considered the results of a study into the capacity constraints and needs of the housing sector, with a specific focus on the implementation of the Sustainable Human Settlement Plan, and decided that further sectoral reviews should be conducted on the capacity to implement government's social and economic developmental objectives.

The State has made significant progress in recent years in improving policy co-ordination within and across spheres of government, but these efforts need to be further consolidated with greater attention to implementation, now that the basic policy frameworks of the democratic dispensation have been created.

Research commissioned for the *Ten Year Review* suggests that the needs of local government are most critical, with most municipalities not having the requisite capacity to perform their service-delivery functions. This means that while government should make every effort to work within the current framework of institutions and practices, where serious capacity constraints persist, government may need to consider changing responsibilities and structures, as is being done with the introduction of the National Social Security Agency.

Two challenges arise from this. Firstly, how to ensure realisation of a national vision in actual practice, given the relative autonomy of each sphere of government in critical areas of social delivery. Secondly, whether there is a case for differential or asymmetric allocation of responsibility, assigning more responsibility where there is capacity to undertake functions beyond the provisions of the Constitution, and inversely to effect necessary interventions where such capacity does not exist, even if matters have not reached the stage requiring invocation of Section 100 of the Constitution.

In this context, Project Consolidate, initiated in 2004, is a national two-year programme of hands-on support and capacity-building, which has identified 136 municipalities in need of assistance.

Government also needs to further promote the participation and interaction of the people with the State. Since 1994, the State has provided many new opportunities for ordinary people to become involved in governance, ranging from ward committees, the IDP process, chapter 9 institutions, the National Economic Development and Labour Council, and the management of pension funds and workplace fora. Yet, actual participation in such structures and/or the capacity to take advantage of their existence has been limited mainly to interest groups, or hindered by considerations of short-term self-interest. Government promotes new ways of encouraging ordinary people to utilise their freedom. Related to this are the initiatives pertaining to CDWs, M&E, massive expansion of the MPCC project and the Batho Pele Gateway.

Conclusion

The policies for Governance and Administration in the First Decade of Freedom were largely the required interventions. Most institutions are operating effectively, although the stabilisation of the intergovernmental system needs improvement. More flexibility in the Public Service will make it more responsive to public needs. Government must continue with what it has started, only more diligently and more vigorously. Improved capacity of the State to deliver social services requires greater capacity in national departments and attention to some provincial and local weaknesses. Compliance with regulations is high, but there are some weaknesses with regard to government's capacity to involve the informal sector in adhering to their civic obligations. Success in fighting corruption is slow but notable.

The key challenges for the next decade include:
- improving service delivery by building the necessary institutions and initiatives
- using the NSDP to focus government's attention on localities with the greatest potential for development, and poverty alleviation while rebuilding other areas
- organisation and capacity of government with special emphasis on the local government system

- improving accountability to, and contact with, citizens by all levels of government
- developing and maintaining partnerships with civil society, with the emphasis on practical programmes
- providing leadership to social partners through the articulation of an encompassing framework for South Africa's development in the next decade and beyond
- developing and implementing the GWM&ES.

In line with the principles of deepened democracy and participatory governance, government has promoted the integration of platforms of interactive governance with municipal processes. This includes the alignment of izimbizo with Project Consolidate, in the form of a municipal imbizo programme that was launched by President Thabo Mbeki in May 2005.

Social Cluster

The central programme of the social sector focuses on poverty alleviation through a range of programmes that address income, human capital and asset poverty. It is in this intersection between access to services, income and assets that the issue of overall poverty trends since 1994 should be examined.

Inequality, as measured at household level before and after factoring in social spending by the State, shows that the impact of social spending (including the tax effect) reduced the degree of inequality massively due to a redirection of spending to the poor since 1994 (see *Towards a Ten Year Review*).

Income poverty alleviation

According to Statistics South Africa, it is estimated that in 1995 about 28% of households and 48% of the population were living below the estimated poverty line – calculated on the basis of expenditure, thus excluding access to services and assets. In 1999, there were 3,7 million such households out of 11,4 million (just under 33%) living below the poverty line. Part of this increase in household income poverty would be due to large-sized poor households unbundling into smaller households.

The unbundling has the effect of removing additional income earners from the household and would therefore reflect an increasing number of households being classified as poor.

According to a report of the UNISA Bureau of Market Research, *National Personal Income of South Africans by Population Group, Income Group, Life Stage and Lifeplane 1960 – 2007*, in 2001, 4,1 million out of 11,2 million households in South Africa lived on an income of R9 600 and less per year. This decreased to 3,6 million households in 2004, even after taking the negative effect of price increases on spending power into account. On the other hand, the number of households receiving a real income of R153 601 and more per year rose from 721 000 in 1998 to more than 1,2 million in 2004.

At least two major government programmes address income poverty in the form of direct transfers and public works programmes. This excludes the social wage, which was estimated at R88 billion in 2003.

Income grants

Social grants are no longer allocated on a racial basis as they were under apartheid. Grants are targeted at pensioners, poor families with children, war veterans, foster care and grants in aid for families taking care of children and people in need. Beneficiaries of social grants increased from 2,6 million in 1994 to more than 10 million in September 2005.

By September 2005, more than 6,2 million children were receiving the Child Support Grant (CSG), 286 131 the Foster Care Grant, and 87 093 the Care Dependency Grant. About R6,9 billion and an additional R19 billion were allocated for the 2005/06 period for the further extension of the CSG to children under the age of 14 years.

Government aims to register an additional 1,2 million children between the ages of 11 and 14 for CSG in 2005/06. This will bring the total number of grant beneficiaries to 11 million and expenditure to over R55 billion. By February 2005, the target of registering 1,8 million children under the age of 11 for the CSG was exceeded when 1,9 million eligible children were registered.

There are almost 1,3 million beneficiaries of the Disability Grant while more than two million people receive the Old-Age Grant.

Social assistance grant transfers grew from around 2% of gross domestic product (GDP) in 2000/01 to more than 3% of GDP in 2004/05. They were expected to reach 3,4% of GDP in 2005/06.

Public works programmes

One of the key programmes launched by government is the Expanded Public Works Programme (EPWP), which is operational in all provinces.

The EPWP is on course to reach its target of one million job opportunities in five years. By September 2005, some 223 400 gross work opportunities had been created from 3 400 EPWP projects nationwide in the first year of the EPWP, yielding at least R823 million in total wages paid. Of those who benefited from these projects in the first year of the programme, 38% were women, 41% youth, and 0,5% disabled people.

The EPWP focuses on ensuring that labour-intensive methods are used in government service-delivery programmes in the infrastructure, environmental and culture, social and economic sectors.

It provides on-the-job training to those participating so that they will be better equipped to find permanent employment afterwards.

Asset poverty alleviation

Housing and shelter

Between 1994 and 2005, about 2 686 907 subsidies were approved for an expenditure of R44 736 billion in the same period. As a result of the housing programme, housing beneficiaries increased from 325 086 to 1,6 million beneficiaries in 2005.

Land

By the end of June 2005, government had settled 62 127 out of the 68 000 restitution claims launched. However, during validation the actual figure of the launched claims came to 79 000. The resolved claims where land restoration had been an option contributed to 916 470 ha.

The redistribution programme had delivered 3,1 million ha of land, benefiting rural and urban communities through the Extension of Tenure Programme, labour tenants, emerging farmers through Land Reform for Agricultural Development and commonage programmes.

Water and sanitation

By the end of March 2005:

- 44,5 million people had access to an improved water supply
- basic water infrastructure had been supplied to 15 million people (over 10 million people were supplied by the Department of Water Affairs and Forestry)
- 31,9 million South Africans (66,3%) had access to free basic water
- basic sanitation infrastructure had been provided to over 8,2 million people
- it was estimated that by 2008, the entire water supply backlog will have been eradicated and by 2010, so will that of sanitation.

Electrification

A key objective is the electrification of all households, and the provision of free basic electricity to poor households. The electrification programme has seen 3,5 million homes electrified since 1994. This translates into over 435 000 homes per year on average. By May 2005, access to electricity was estimated at 71%.

Human capital poverty alleviation

Healthcare

To make the health system more equitable, efficient and effective, the Department of Health embarked on a complete transformation of the health delivery system.

- Primary healthcare (PHC)
  By 1996, the proportion of public health spending devoted to PHC had increased from an estimated 11% in 1992 to 21%. Expenditure on non-hospital-based PHC grew from R58 per person in 1992/93 to R141 per person in 2002/03, and increased to R183 in 2005/06.

- Clinic-building and Upgrading

  Government's Clinic-building and Upgrading Programme resulted in the building and upgrading of more than 1 300 clinics between 1994 and February 2005.

- Hospital revitalisation

  The Hospital Revitalisation Grant increased by 12,7% from R911 million in 2004/05 to R1 027 billion in 2005/06. Government completed the revitalisation of four hospitals in 2004 with another 37 in various stages of completion.

- Free healthcare

  The Free Healthcare Policy started in 1994 with free healthcare for pregnant and lactating mothers and children under six years, and was extended in 1996 to cover all PHC services for everyone in the public health system.

- Expanded Programme on Immunisation

  In South Africa it is recommended that children under the age of five be immunised against the most common childhood diseases. Immunisation should be administered at birth, six weeks, 10 weeks, 14 weeks, nine months, 18 months and five years of age. Childhood immunisations are given to prevent polio, tuberculosis (TB), diphtheria, pertussis, tetanus, haemophilus influenzae type B, hepatitis B and measles.

The set routine immunisation coverage target for fully immunised children under one year is 90%. In 2005, the overall routine immunisation coverage for South Africa stood at 82% but some districts were still lagging behind with less than 60% immunisation coverage.

- Integrated Food Security and Nutrition

  Since the start of the National Food Emergency Scheme in 2004, a total of 245 000 households have benefited from the programme. Agricultural starter packs to the value of R31 million have been delivered to some 18 575 households in all provinces as a measure of encouraging the development of sustainable food gardens.

A number of schools participating in the National School Nutrition Programme have established vegetable gardens to enrich the nutritional value of the meals served in schools.

- HIV and AIDS

  The response to HIV, AIDS and sexually transmitted infections was fairly limited before 1994, and focused predominantly on the provision of condoms and information, education and communication. Dedicated expenditure on HIV and AIDS programmes across national departments increased from about R30 million in 1994 to R342 million in 2001/02. This excludes allocations from provincial equitable share. Expenditure was further set to increase to R3,6 billion in 2005/06. This increased expenditure funds a comprehensive prevention, care and treatment programme.

Antenatal surveys showed HIV prevalence rates, which increased rapidly to 1998 (22,8%) from 0,7% in 1990, stabilising around 22,4% in 1999, 24,5% in 2000 and 24,8% in 2001. The same research showed the prevalence of syphilis among pregnant women decreasing from 6,5% in 1999 to 2,8% in 2001. Behavioural studies indicate extended abstinence, increase in condom use and a drop in the number of sexual partners in younger age categories. Based on its sample of more than 16 000 women attending antenatal clinics across all nine provinces, the Department of Health estimated that 29,5% of pregnant women were living with HIV in 2004. The provinces which recorded the highest HIV rates were KwaZulu-Natal, Gauteng and Mpumalanga.

The Government's Comprehensive Plan for the Management, Care and Treatment of HIV and AIDS centres around preventing the spread of HIV-infection and improving the health system to enable it to provide a series of interventions aimed at improving the lives of those infected and affected by HIV and AIDS.

By September 2005, there were 178 service sites spread across all the 53 districts and in about 60% of the subdistricts. Some 62 00 patients had been enrolled for antiretroviral treatment.

- National TB Control Programme

  South Africa has 188 000 new TB cases a year. Free testing is available at public clinics countrywide.

Government is strengthening the TB Control Programme by:
- appointing TB co-ordinators in each health district
- enhancing the laboratory system
- strengthening the implementation of the Directly Observed Treatment Strategy
- mobilising communities to ensure that patients complete their treatment.

The challenges posed by TB emphasise the need to address the weaknesses that still exist in the national health system and the importance of a comprehensive approach to the management of diseases in the country.

- Malaria control

  The prevalence of malaria has been decreased significantly and substantially over the past five years from prevalence levels above 80% in some areas to current levels, which are below 10%. This can be attributed to the success of in-door residual spraying using DDT and the partnership with Mozambique and Swaziland. The total number of malaria cases reported from January to May 2005 was 4 539, representing a 44,5% decrease from the 8 173 cases reported during the same period in 2004. During the same period, 35 deaths were reported compared with 55 in 2004, representing a 36,4% decrease in malaria-related deaths.

Education

In 2005/06, the total allocation for the Department of Education was R12,397 billion. Included were transfer payments to Higher Education (HE) institutions (79,85%) and to the National Student Financial Aid Scheme (6,97%), transfer payments to public and other entities (0,54%), conditional grants to provincial education departments (8,46%), funds earmarked in support of conditional grants to provinces (0,10%) and contributions to commonwealth of learning (0,01%). The balance of 4% was for operational expenditure.

With regard to Early Childhood Development (ECD) participation in the reception year, enrolment increased from about 150 000 to 280 000 between 1999 and 2002. The target of enrolling 300 000 Grade R learners was met in 2004.

Access to educational opportunities has been significantly expanded. Thousands of young people who are first-generation entrants to HE enjoy state-funded support for study at this level and positive growth has begun in increasing graduation rates in critical fields of study.

Enrolment of female learners in HE has increased from 44% in 1994 to 53% in 2003. Black students account for over 72% of enrolments in HE. In Further Education and Training (FET), institutional reform has been achieved with the formation of 50 FET colleges from 152 technical colleges, and 21 HE institutions from 36 universities and universities of technology, some of which bring together historically black and historically white institutions.

Education interventions over the past decade have contributed towards a respectable matric pass rate of over 70%. This was a significant achievement to round off the first 10 years of freedom and democracy. Results in 2004 achieved an increase in the number of matric exemptions, more Mathematics and Science Higher Grade passes, and increased participation of girl learners.

Literacy rate measurement is based on the subjective opinion of people, regarding whether they are able to read or write in at least one language. Using this criteria, the literacy rate among 15- to 24-year olds has exhibited an upward trend since 1996. Literacy in this age group increased from 95% in 1996 to 98% in 2004.

Conclusion

The social-sector programmes have helped address the apartheid legacy of poverty and inequality. However, the challenge of eradicating poverty and other social ills is compounded by societal dynamics set in motion in part by the transition itself. Among these are the decrease in the average size of households and the corresponding increase in the number of households, rapid labour force growth and an increase in rural-urban migration. These trends sharpen the challenges for the social sector and government as a whole in the coming period.

To take the interventions in the Second Economy forward, the following additional programmes will be introduced or further strengthened, as part of the

EPWP, and focused on providing training, work experience and temporary income, especially to women and youth. These are:

- The ECD programme, based on community participation, having ensured a common approach among all three spheres of government. The necessary additional funding will be provided.
- Increasing the numbers of community health workers, having harmonised training standards and increased resources allocated to the programme.

To better understand the dynamics of the Second Economy and ensure effective targeted interventions, a socio-economic survey of these communities will be carried out in three-year intervals.

In addition, campaigns to reduce non-communicable and communicable diseases as well as non-natural causes of death continue, through the promotion of healthy lifestyles and increased focus on TB, AIDS, malaria, cholera and other water-borne diseases, and generally increasing the standard of living of the poorest.

Broad trends in mortality confirm the need to continue to pay particular attention to the health of the nation. With regard to HIV and AIDS in particular, government's comprehensive plan, among the best in the world, combining awareness, treatment and home-based care, is being implemented with greater vigour.

With regard to the social sector, government has continued to allocate more resources and put in more effort to provide services to society at large and a safety net for the indigent. Project Consolidate will further increase the capacity of municipalities to improve performance in these areas.

More resources have been allocated for the various interventions in the area of education and training, including the merger of institutions of higher learning, improved teaching and learning especially in Mathematics and Natural Sciences, the provision of additional support to schools in poor areas, and allocations already announced for the salaries of educators.

Government's social-sector programme for 2005/06 includes the intensification of existing programmes to meet long-term objectives such as the provision of clean running water to all households by 2008, decent and safe sanitation by 2010 and electricity for all by 2012.

During the course of 2005, government committed itself to:

- update the Schools Register of Needs and iron out the creases among the implementing agents within and across the spheres of government to ensure that it meets the objective of safe classrooms and healthy environments in schools in as short a time as possible
- allocate additional resources over the next three years to cover outstanding claims in the land restitution programme
- complete discussions with Eskom, provincial governments and local municipalities to ensure that free basic electricity is provided to all with minimum delay
- improve the capacity of municipalities to ensure that the target of providing sanitation to 300 000 households per year is met as from 2007
- continue the effort to ensure that all citizens have access to affordable medicines
- intensify the programme to refurbish hospitals and provide more professionals, especially in rural areas.

During 2005, government launched the National Social Security Agency and implemented systematic plans against corruption, including with regard to definitions of disability and allocations to the Foster Care Grant.

As part of better understanding societal dynamics, especially at household and community levels, plans are underway to undertake a systematic tracking of households' decision-making through a panel household study. The Social Sector Cluster is developing the Macro-Social Development Strategic Framework, as a response to the findings of the Macro-Social Report and its policy implications.

Economic Cluster

Policy framework

The RDP has framed government's social and economic development programme since the first democratic election in 1994. Its main elements were to:

build the economy, meet basic needs, democratise the State and society, develop human resources, and build the nation.

In 1996, the Growth Employment and Redistribution (GEAR) programme was introduced to provide a clearer macro-economic framework for stable and accelerated growth.

In 2001, the National Treasury shifted towards a more expansionary stance, having won credibility from financial markets for conservative and predictable macro-economic policies. In the same year, elements of the Micro-Economic Reform Strategy (MERS) were introduced, and formalised in Cabinet in early 2002.

Macro-economic stability

Economic growth, employment and government's social programmes have improved the well-being of millions. Between 1998 and 2004, more than two million people moved out of the poorer end of the scale of living standards measures according to the South African Advertising Research Foundation and many are entering the ranks of the middle strata.

South Africa achieved a level of macro-economic stability it had not seen for 40 years. These advances create opportunities for real increases in expenditure on social services, reduce the costs and risks for all investors, and therefore lay the foundation for increased investment and growth.

Investment

Investment currently averages around 16% of GDP, much lower than the over 25% of GDP recorded in the early 1980s and in previous decades. Private-sector investment fell from 17% of GDP to as low as 12%, and broad public-sector investment decreased from around 12% of GDP to 4%. Private investment fell due to great uncertainties and economic isolation before 1994, and due to a lack of confidence in the new Government's ability to turn the economy around after 1994.

However, since 1999, both private- and public-sector investment have entered a rising trend, supported by strong inflows of foreign capital, mostly in portfolio investment, but increasingly in foreign direct investment (FDI) as confidence in the Government's economic and broader policies grows.

Growth and wealth

On average, per-capita growth was negative in the decade before 1994. The economy has grown at a rate of 2,94% per year, on average, since then. If the Asian crisis years of 1998 and 1999 are ignored, the average growth rate was 3,3%. Either number is a considerable improvement on the two decades before 1994. Real per-capita growth has been about 1% per year since the beginning of 1994. In other words, on average, South Africans grew wealthier at about 1% per year since 1994. In comparison with strong growing economies, this is a mediocre performance, although it is a steady but unspectacular performance compared with most developing economies.

Employment

Drawing on official surveys between 1995 and 2004, the number of people employed in South Africa appears to have grown from 9 557 185 to 11 984 000. This suggests over 2,4 million net new jobs. However, during the same period, the number of unemployed people grew from 1 909 468 to 4 532 000, an increase of about 2 623 000 according to the strict definition. This reflects a considerable increase in the numbers of those seeking work, which now includes a greater proportion of women from rural areas. Figures show that in 2002, out of a total of 8,9 million employees, 1 115 000 were temporary (12,5%), 567 000 were casual workers (6,4%), 365 000 had fixed-term contracts (4,1%) and 62 000 were seasonal (0,7%).

However since the early 2000s, in spite of the phenomenal growth in the economically active population, unemployment has actually fallen. Most new employment since then has been in the formal sector.

Government is discussing with its social partners ways of assisting the sectors hard hit by current trends.

Despite progress, unemployment is unacceptably high for historical reasons. While there is overall growth, restructuring sees some sectors shrinking

with severe impact on many workers. The creation of jobs and other economic opportunities is the primary concern of government and was the core of the mandate on which government was elected in the 2004 election.

Since then, the economy has shown signs of lift-off to the higher growth path that is required to achieve government's social objectives, but various constraints have put limits on this and its sustainability.

In this context, the President announced in July 2005 that the Deputy President had been asked to lead the Accelerated and Shared Growth Initiative, tasked with dealing with challenges of ensuring that South Africa raises the trajectory of growth to average at least 4,5% in the next five years and about 6% between 2010 and 2014.

Combined with focus on improving labour absorption, such growth rates would ensure meeting the mandate of government to halve unemployment and poverty in the Second Decade of Freedom.

The task team reported in October 2005 to Cabinet that the approach being followed is to identify the constraints to higher rates of growth and job creation and to select a set of projects that would deal with these issues.

Proceeding from the premise that the current macro-economic environment brings the opportunity to pursue higher and shared growth, the main issues under consideration include: infrastructure development, sector investment strategies, education and skills development, Second Economy interventions, and improving the capacity of the State to provide economic services.

The report to Cabinet was to be followed by further detailed work and consultations with social partners to ensure that the final product was one that unites all South Africans in pursuit of common objectives.

Trade reform, industrial restructuring and industrial policy

The reform of trade and industrial policies is reflected in an improved balance of trade and a shift from primary exports to higher value-added secondary and tertiary exports. This is due to government's success in promoting trade liberalisation within a multilateral rules-based global trading regime, and its use of supply-side measures.

Key initiatives included the renegotiation of the Southern African Customs Union (SACU) Agreement; the negotiation of a Southern African Development Community (SADC) free trade agreement (FTA); and the negotiation of a bilateral trade and development agreement with the European Union (EU). The unilateral American Africa Growth and Opportunity Act provision has also aided South Africa's exports. These agreements contribute to new trade activity and to new FDI into South Africa. South Africa is a leading developing country participant in the Doha Round of the World Trade Organisation (WTO); has entered free trade talks with the United States of America (USA); signed an FTA in December 2004 with the Latin American members of the MERCOSUR; and is discussing possible bilateral trade agreements with India and China. It has had a framework discussion with China and is planning negotiations with India.

In the late 1990s, government's emphasis shifted in two main respects: firstly, incentive programmes were extended beyond traditional manufacturing sectors; and secondly, key industries were targeted for special attention. These include growth sectors like autos and tourism, and cross-cutting sectors like Information and Communications Technology. The sectors are now becoming a focus for the allocation of supply-side support, including funds for technology and human research development (HRD).

State enterprise restructuring

Policy on state-owned enterprises (SOEs) focuses primarily on the key economic sectors of telecommunications, energy, defence supplies and transport. Reforming the SOEs aimed at improving the access of the historically disadvantaged to services such as telecommunications and electricity; increasing efficiencies and hence reducing costs; and using the revenues earned through the disposal of state assets to reduce public debt. One major

concern was that restructuring had to be carefully managed as the SOEs employed tens of thousands of workers. Another was that in restructuring corporations, Black Economic Empowerment (BEE) should be encouraged.

An objective achieved unambiguously was the reduction of public debt by R24 billion. Other consequences include the creation of a more entrepreneurial class of those interested in restructuring activities, the advancement of regulation, the opening up of some industries to competition, and the widening of share-ownership. Commercialisation and/or partial privatisation led to the reduction in public debt by raising funds from the private sector, thereby reducing pressure on the fiscus, and creating an environment for competition. Within the policy framework, greater competition and further improvements to the regulatory environment should ensure that nationally strategic services such as energy, transportation and telecommunications are provided at low cost and high quality. As in the rest of the economy, there has been a shift of jobs mainly from sunset to sunrise sectors (e.g. cellphones) due to the improvement of business processes and the introduction of new technology. In recent years, oversight over financial, economic and socio-developmental activities of SOEs has been tightened to ensure that SOEs are aligned to the objectives of the developmental State.

Regulatory quality, labour legislation and taxation

In restructuring state assets and liberalising previously monopolised markets, new systems of regulation have been established. These include new regulators in the transport, telecommunications and energy sectors. Though South African regulators are relatively well endowed by developing country standards, they are poorer than the corporations they regulate. Relations between the regulators, their boards/councils, and government vary considerably; even regulators that have similar functions.

South Africa has progressed in introducing and amending labour laws that give employers and employees certainty and security in the employment contract. A huge fall in person-strike-days per year

bears testimony to the success of the policy. The balance between the degree of job security and the kind of labour market flexibility that encourages employers to take on new employees is still being fine-tuned.

Company taxation meets South Africa's needs and is consistent with international practice. However, there are some concerns. On the one hand, there are concerns that 'creeping' forms of taxation are clouding the clarity of the basic system, for example, the skills levy on wages, the obligations of empowerment programmes and municipal rates and levies. On the other hand, further qualitative reductions in corporate tax in the current period may generate further social polarisation. There is also the question of whether there is scope for the design of the tax system to further support developmental objectives.

Competition

New competition authorities, established under the Competition Act, 1998 (Act 89 of 1998), delivered a stronger performance than their predecessors. The competition authorities have not yet been as effective in the field of combating prohibited practices, except where those practices are specifically outlawed, compared with their merger control function. Industry concentration remains high in some sectors in South Africa, with conglomerates of the 1980s having given way to industry-focused powerhouses.

Small, micro and medium business sector development

The Small Business Council, Khula Enterprise Finance Corporation and Ntsika Enterprise Promotion Agency have made modest impact, though the National Manufacturing Advisory Centre (NAMAC) programme is considered world-class. The contribution of the small, medium and micro enterprise (SMME) sector to GDP and employment indicates the limited role that this sector is playing in the South African economy. Small and medium enterprises contribute less than half of total employment, 30% of total GDP and one out of five units exported.

To address some of the problems with SMME development, it was decided to merge Ntsika and NAMAC into the Small Enterprise Development Agency (SEDA). By October 2005, the merger was progressing smoothly with the CEO and executive level for SEDA being appointed and the National Small Business Act, 1996 (Act 102 of 1996), amended as a legal framework for SEDA establishment. SEDA is engaging with the provinces to establish a joint working relationship. SEDA is also fast-tracking implementation strategies and systems.

Skills development

Large numbers of unskilled workers are unemployed, but employers cite a shortage of semi-skilled and skilled workers as a constraint on expansion. Substantial resources have been directed towards both general education and skills training, and government has restructured institutions that deliver education and skills. Both public- and private-sector employers have been slow in taking advantage of the training opportunities available despite the skills shortage being cited as one of their major constraints. However, performance is improving, and the focus on the performance of the sector education and training authorities should yield better results. The target of 72 000 completed learnerships for the unemployed was exceeded in 2004.

There are many young unemployed matriculants and even graduates of universities of technology and universities. The percentage of unemployed graduates of tertiary institutions grew from 6% in 1995 to 15% in 2002. For Africans, the percentage of unemployed graduates rose from 10% in 1995 to 26% in 2002. School, university of technology and university programmes need to be effectively geared towards employability and school-goers and school-leavers need more guidance regarding practical study and career paths.

Empowerment

The proportion of black top managers grew from 12% to 13% between 2000 and 2001, while the number of senior managers grew from 15% to 16%. The proportion of skilled professionals and middle managers grew even more slowly, by 0,2%. Empowerment in the workplace is continuing, but slowly. Progress was slow in extending black ownership, with an estimate of black equity in public companies indicating 9,4% in 2002, compared with 3,9% in 1997, from being virtually non-existent before 1994. The number of previously disadvantaged individual (PDI) directors of public companies grew from 14 (1,2%) in 1992 to 397 (15,6%) in 2002, but the proportion of PDI executive directors remains very small. These trends are expected to improve with the implementation of government's Broad-Based BEE programme. By September 2004, of a total of 2 701 board positions within JSE-listed companies, 435 or 16,1% were held by black people. In 2003, there were 432 black people on JSE boards, representing just over 17% of total directors.

As far as women are concerned, their progress in the workplace has been equally slow. Just 13% of top managers in 2001 were women, only 1% more than in 2000. Women in senior management grew a little faster, by 1,7% to 17,7%. Only 74 (3%) of directors of public companies are black women. Black women make up 3,2% of all directorships on the JSE, and only 0,8% of executive director positions.

Evidence from the Census suggests that the proportion of black managers and professionals has increased relative to their white counterparts although the rate of change is still very slow, with the proportion of black managers, senior officials and legislators rising from 42,5% in 1996 to 44,3% in 2001. Progress in professional, associated professional and technical positions shows that blacks comprised 61,4% of these groupings in 2001, up from 57,6% in 1996.

Innovation and research and development (R&D)

The progress in industrial policy has not yet had major pay-offs in the form of greater levels of domestic innovation and R&D. Expenditure on R&D fell to 0,69% of GDP in the 1990s, but has since risen to about 0,75%. Government has set up an effective system of national innovation with a num-

ber of imaginative innovation-support programmes. Innovation levels would have fallen further had these measures not been introduced. The 2002 R&D Strategy established new, relevant missions for the National System of Innovation, which include the Biotechnology Strategy, the Advanced Manufacturing Technology Strategy and the Astronomy Geographical Advantage Programme.

Country economic competitiveness

By most international benchmarking measures, the competitiveness of the South African economy has improved since the early 1990s. Two key indicators are the improvement and diversification of exports, and the significant improvement in labour productivity. However, most measures still indicate that the availability of skilled labour remains a key weakness. Other concerns are the cost of transport and telecommunications, which are key factors in an economy at such great distance from major world markets. Hence the focus of the MERS on input costs and skills.

Conclusion

Government has been successful in ensuring macro-economic stability, improving the trade regime, and taking advantage of the country's natural resources and financial and physical infrastructure. The country's skills base, the volatility of the exchange rate, the cost of input such as transport and telecommunications, lack of competition in the domestic market, and poor perceptions of Africa and southern Africa held back higher rates of investment. While competition from Asia, slow improvements in skills and input costs, and weaknesses in implementation have held back progress, investment trends have turned strongly positive since 1999.

Justice, Crime Prevention and Security (JCPS) Cluster

The departments in the JCPS Cluster, like others, were affected by the apartheid legacy. They lacked integrity and legitimacy. Their main functions were vague and ambiguous and largely directed at maintaining apartheid.

Government was therefore faced with enormous challenges of amalgamating, rationalising and transforming these departments to protect the new Constitution, including redirecting mandates and functions to focus on combating and preventing crime and improving national security.

This included new legislation and mechanisms to create constitutionally mandated bodies such as the Constitutional Court and other judicial commissions, and to establish civilian oversight and monitoring structures.

Upholding the rule of law has been greatly improved by the transformation of the judiciary, particularly through the following activities:

- affirming the supremacy of the Constitution in South Africa
- establishing the Judicial Services Commission
- integrating the judiciary into a single entity with rationalised jurisdictions
- demographic changes in relation to race and gender of the judiciary.

Reducing crime

The NCPS emphasised that crime was not purely a security or law-enforcement issue but that it was also a social issue. Consequently, it gave equal importance to preventing crime on the one hand and combating it on the other.

In respect of social crime prevention, government has implemented several interventions, particularly in development nodes, which have resulted in significant reductions in the levels of crime in those areas in particular.

The cluster has identified and prioritised 169 police stations that register highest levels of contact crime. Working and acting in consultation with the provincial administrations, the cluster has developed socio-graphic profiles of these priority police-station areas. On the basis of these area profiles, relevant developmental projects aimed at preventing crime are being developed.

The responsibility to implement such projects rests with the social and economic clusters, the

provincial administrations and local government authorities.

The National Crime Combating Strategy (NCCS) evolved as an operational element of the NCPS that focused on reducing crime in the select and priority crime spots that accounted for 50% of all crime – particularly violent crime – in the country.

The NCCS has stabilised levels of crime, particularly in the 169 police-station areas that accounted for most crime. Furthermore, law-enforcement agencies, in co-operation with other departments, were able to identify and neutralise several organised-crime syndicates.

Government faces the twin challenges of sustaining the NCCS and vigorously implementing social crime-prevention initiatives in a more co-ordinated and structured manner. This requires integrated implementation in all spheres of government. Furthermore, for the cluster to effectively implement social crime prevention, new programmes have to be developed and sustained in partnership with organs of civil society.

Crime trends, 2003/04 – 2004/05

Crimes recorded by the South African Police Service (SAPS) over the past 10 years show crime to be decreasing and/or stabilising. The total of all crimes recorded by the SAPS increased slowly from 1994/95 and then began to decrease from 2001/02. Contact crime and property crime follow a similar trend.

From 2003/04 to 2004/05, trends for most contact crime decreased. Murder decreased by 5,6%, attempted murder by 18,8%, and common assault and assault with grievous bodily harm by 5,1% and 4,5% respectively.

Common robberies decreased by 5,3% from 2002/03 to 2004/05. Between 2003/04 and 2004/05, aggravated robbery decreased by 5,5%. The high levels of robbery correlate with a high number of street robberies and muggings recorded by the police in socially depressed areas. Car hijackings decreased by 9,9% between 2003/04 and 2004/05.

However, robbery of cash in transit increased by 14,6% between 2003/04 and 2004/05. In the same period rape increased by 4% and indecent assault by 8%.

Key areas of intervention

Government has prioritised interventions to deal with some specific crimes. These include sexual offences, domestic violence, organised crime and corruption, cross-border crime, taxi violence and regulating the ownership and possession of firearms. The Victim-Empowerment Programme has also been a priority of government in addressing the needs of victims.

Sexual offences and domestic violence

The Criminal Law (Sexual Offences Amendment Bill) and Domestic Violence Act, 1998 (Act 116 of 1998), seek to improve services for victims of these crimes and increase conviction of offenders. Government has introduced the Anti-Rape Strategy, which saw the establishment of Thuthuzela care centres to reduce secondary victimisation. Sexual offences courts have been set up.

A major challenge pertaining to sexual offences is the high case-withdrawal rate – some 53% of cases referred to court in 2000 were withdrawn.

Dealing with illegal firearms

Reducing the number of illegal firearms in circulation and restricting the issuing of firearms are among key government priorities. Over the past 11 years, government has destroyed over 80 000 illegal firearms. More were destroyed in Operation Rachel (a joint operation with the Mozambican law-enforcement authorities) and in the case of firearms declared redundant by the South African National Defence Force (SANDF) and other state departments.

To further regulate legal firearms in circulation, government passed the Firearms Control Act, 2000 (Act 60 of 2000), to provide a framework to regulate ownership and the possession of firearms.

The impact of firearms on crime, particularly serious and violent crime, suggests that more interventions are needed to control and reduce the number of both legal and illegal firearms in circulation.

From January to June 2005, amnesty for the possession of illegal firearms was introduced. Government called on people with illegal firearms to voluntary hand their guns to the SAPS without facing prosecution for the offence. The amnesty was limited only to the possession of illegal firearms and not to crimes committed with them. The table below shows the number of firearms and amount of ammunition that was surrendered and destroyed during the amnesty period.

Organised crime

The fight against organised crime was enhanced by the establishment of the Directorate: Special Operations (DSO), which emphasised closer integration between all the law-enforcement agencies, the prosecution service and the intelligence structures, which include the Financial Intelligence Centre. These initiatives and ongoing SAPS operations have yielded some good results. Between 2001/02 and 2003/04, SAPS identified and infiltrated 341 organised-crime groups. Some 977 syndicate leaders and 5 034 syndicate members were arrested. In the same period, the DSO finalised 505 investigations into organised crime, financial crime and corruption. Some 481 prosecutions were finalised, with a 92% average conviction rate.

In 2004, government identified and targeted the 200 top criminals responsible for organised crime and corruption. By April 2005, the 200 individuals identified had been apprehended. The cluster has broadened the criteria for top criminals to include multiple offenders for murder, rape, robbery and burglary.

The specialised commercial crime courts yielded an average conviction rate of 95% between April 2003 and March 2004. About 129 forfeiture orders amounting to R76 million were executed and assets worth R500 million frozen.

Effectiveness of the criminal justice system

To improve the effectiveness of the CJS, the cluster has introduced programmes and projects to fast-track case flow and reduce the number of awaiting-trial prisoners and prison overcrowding. These interventions include:
- integrated justice system court centres
- additional and Saturday courts
- specialised commercial crime courts
- community courts.

These interventions reduced the average case preparation time from 152 days in 2002 to 79 days by April 2004. District and regional courts have improved sitting time from an average 3,5 hours to over four hours. Conviction rates in these courts have increased from 64% to 74% since their inception in 2001.

Additional and Saturday courts reduced the backlog of cases pending trial by 53 055 cases.

Notwithstanding these gains, the cluster still faces a challenge in the backlog of cases, coupled with a large number of awaiting-trial detainees and consequent overcrowding in correctional facilities.

In terms of overcrowding, there were 187 446 offenders in correctional service facilities in January 2005, whereas the approved accommodation space was for 113 825 inmates. Of the total inmate population, 52 326 were unsentenced.

The number of sentenced prisoners started stabilising from 2003 due to programmes such as correctional supervision as well as a review of parole policies. The number of unsentenced inmates

Number of firearms and ammunition surrendered and destroyed during amnesty		
	Firearms	**Rounds of ammunition**
Legal firearms voluntarily handed over	44 343	795 226
Illegal firearms voluntarily handed over	31 043	558 291
Illegal firearms confiscated by the South African Police Service	17 343	364 469
Firearms destroyed	14 786	

declined from 2000 and stabilised in part due to programmes such as the IJS court centres and additional and Saturday courts.

The number of children and juveniles in prisons remains a concern. By the end of July 2005, there were about 1 244 unsentenced children detainees and 1 001 sentenced children detainees aged between seven and 17 years. In the same period, there were 8 932 unsentenced and 9 275 sentenced detainees aged between 18 and 25 years.

In accordance with the Constitution and the *White Paper on Corrections*, the department has granted pardon, reprieve, amnesty and special remission to certain detainees. The process was initiated on 30 May 2005 and completed on 9 August 2005. A total of 65 837 offenders benefited from the special remission. A total of 157 offenders who benefited from the special remission had been admitted to correctional centres as awaiting-trial detainees.

National security

National security is protected, in part, in the context of transforming the notion of national security and the departments that carry out this function.

National security departments continue to play a critical role in peace-support operations in the region and on the continent. Important examples include Lesotho, the Democratic Republic of Congo (DRC), the Comoros, Burundi and Ethiopia. They have also taken part in disaster-relief operations, notably in Mozambique.

South Africa's territorial integrity is rendered vulnerable by the limited capability of the SANDF, the absence of a national security strategy and a commonly understood national security management system.

However, government has done much with regard to border control, both at ports of entry and in respect of borderline security.

While government has enacted the Regulation of Foreign Military Assistance Act (FMAA) 1998 (Act 15 of 1998), its provisions are vague with respect to South Africans who join the national defence forces of foreign countries. Of necessity, such citizens potentially pose a counter-intelligence threat. The amendments to FMAA, 1998, rectifying vague and ambiguous provisions, were approved by Cabinet in August 2005.

Government has attended to several priorities within the realm of national security, including terrorism; the security of government information and systems; and political violence.

Regarding terrorism, it has dealt decisively with urban terror as was carried out by the People Against Gangsterism and Drugs; and the right-wing terror wave of the *Boeremag*; and continues to give attention to international terrorism.

Government further needs to enhance the capacity, co-ordination and readiness of the National Disaster Management System.

Continuing attention is needed to improve the security of government information and systems, among other things, through resolute implementation of the Minimum Information Security Standards policy document. There is also a need to tighten regulations that govern the activities and movements of diplomats accredited to South Africa.

Government has substantially reduced the level of political violence. Sporadic attacks continue, but without the degree of organisation present in earlier violence. Government is giving priority to instituting community rehabilitation interventions, particularly in areas that were ravaged by violence.

Among the priorities for the next 10 years is the need to entrench the rule of law and enhance national security, with specific attention to:

- further reducing levels of crime, both organised and serious and violent crime
- enhancing co-ordination with the social and economic clusters and organs of civil society to vigorously implement social crime-prevention initiatives
- continued improvement of the CJS and its operations
- improving border control
- monitoring extremism and terrorism
- improving the capacity of the security and intelligence departments, including the development of a national security strategy and an effective national security management system.

International Relations, Peace and Security (IRPS) Cluster

Democracy opened a remarkable new chapter in South Africa's international relations. Over the first 11 years, South Africa has established itself as a respected partner and force for good within the community of nations, and has become a leading voice in the developing world for a more progressive, people-centred and multilateral rules-based global system. Given the apartheid State's isolated and ignominious past, the country's achievements in and contributions to international, continental and regional affairs during the First Decade of Freedom have been truly spectacular.

Since 1994, several strategic objectives have informed the work of the IRPS Cluster of departments. Importantly, South Africa's foreign policy revolves around the international pursuit of the country's domestic policies and priorities, particularly as they relate to nation-building, reducing poverty, and creating economic opportunities and a better life for all. To this end, government has pursued the following objectives:

- to normalise, expand and strengthen South Africa's diplomatic relations with the international community
- to protect and promote the country's national interests and values through bilateral and multilateral interaction
- to promote economic development in an interdependent and globalised world through diversified and deepened trade relations, inflows of FDI and regional integration
- to promote and deepen international cooperation in science and technology (S&T)
- to promote international respect for human rights and democracy
- to contribute towards and support initiatives for international peace, security and stability as well as post-conflict reconstruction (including international crime prevention and management)
- to prioritise the interests and development of Africa in international affairs

- to promote the agenda of the South through South-South co-operation and North-South partnerships
- to support a strong, effective and equitable multilateral rules-based global order that promotes and protects the interests of developing countries.

International normalisation

South Africa has successfully normalised its diplomatic relations with the world and rejoined all significant regional, continental and multilateral institutions. By July 2005, South Africa had 83 embassies/high commissions, 16 consulates and 46 honorary consulates abroad. Foreign representation in South Africa by July 2005 included 113 diplomatic missions, 53 consulates, 22 multilateral organisations and non-residential accreditation from 16 countries. This represents a dramatic increase in diplomatic activity from the days of the isolated and ostracised apartheid State.

Over the past decade, the country was honoured to host a number of important multilateral conferences, including the United Nations (UN) Conference on Trade and Development IX (1996), Non-Aligned Movement (1998), Commonwealth (1999), World Conference Against Racism (2001), African Union (AU) (2002) and World Summit on Sustainable Development (2002). In these fora, South Africa has consistently worked to promote agendas and outcomes that address poverty and the underdevelopment of the South. South Africa also hosted several international sports tournaments and preparations are well underway to host the FIFA Soccer World Cup in 2010.

These conferences and events have raised the country's international profile, generally had a positive impact on the economy, and have favourably maintained South Africa in the global media. The hosting of these events has supported the campaigns of South African Tourism and the initiatives of the International Marketing Council to image, brand and market the country, particularly for attracting an ever-increasing number of tourists.

South Africa recorded its highest-ever number of foreign tourism arrivals during 2004/05 – more

than 6,6 million visitors, a 2,7% increase over the previous year. Visitors spent R47,8 billion in South Africa during this period. For the first time in South Africa's history, tourism eclipsed gold as an earner of foreign exchange.

Economic development and co-operation in a globalising world

Government has diversified and deepened the country's trading networks, export markets and sources of FDI. Apart from its traditional trading partners, South Africa has developed more extensive relations with South America, Asia and Africa, thereby enhancing South-South economic co-operation. As part of its global trade strategy, government has identified strategic partner countries with which to develop economic relations through bilateral FTAs, although it is not seeking FTA negotiations with all of them at this stage.

Over the past decade, South Africa has concluded, or is currently engaged in, a number of trade negotiations:

- WTO: South Africa played an important role in the launch of the new Doha Round (which emerged with a developmental agenda) in 2001, and continues to participate in this round of negotiations through the G20, Africa and Cairns groups.
- Trade, Development and Co-operation Agreement (TDCA) with the EU: This came into effect on 1 January 2000 and the agenda for its review was finalised at the end of 2004.
- SADC Trade Protocol: This was signed in 1996 and there were subsequently negotiations around revised rules of origin.
- New SACU Agreement: This was concluded in October 2002.
- SACU: The union is finalising, negotiating or exploring FTAs with the European Free Trade Area (EFTA), the USA, China, India and MERCOSUR.

South Africa's investment climate, regime and credit ratings have greatly improved. This is reflected in the net positive FDI inflows that the country has attracted since 1994, although these capital inflows remain low relative to other emerging markets with broadly similar profiles.

South Africa has, over the past decade, signed a number of co-operation agreements in S&T, and established a number of important S&T projects with strong international participation.

Promotion of international respect for human rights and democracy

Democratic South Africa has sought to promote international respect for human rights, democracy and good governance. In particular, government has placed a strong premium on the rights of women, children and the disabled. Government has broadly approached the issue of human rights in concert with its African partners and through multilateral mechanisms such as the UN, Organisation of African Unity (OAU)/AU and SADC.

Commitment to peace, stability and development in Africa

The area where South Africa has arguably made the greatest strides in its foreign policy over the past decade, is in its contribution to the development of the African continent. South Africa played a leading role in reconstituting the former OAU into the AU as a more effective pan-African continental body, and in crafting and promoting what became the New Partnership for Africa's Development (NEPAD). NEPAD was launched as the socio-economic programme of the AU at the Durban AU Summit in July 2002. Most of the critical organs of the AU are now established and operational. In 2004, South Africa was accorded the great honour of permanently hosting the Pan-African Parliament (PAP). It hosted the fourth session of the PAP in November 2005.

As part of the NEPAD process, the African Peer Review Mechanism has been established as a voluntary mechanism with the mandate to ensure that the policies and practices of participating states conform to agreed political, economic and corporate governance values, codes and standards. It is envisaged as a system of self-assessment, constructive peer dialogue, and persuasion, and for sharing experiences and best practices among members. South Africa is among the first countries to be peer

re-viewed, with its review having commenced in 2005.

At regional level, South Africa has promoted integration within the context of the SADC, the SACU and the Common Monetary Area. South Africa has actively supported the restructuring of the SADC and the development of the Regional Indicative Strategic Development Programme, as well as protocols on particular areas of functional co-operation.

Development can, however, only take place within the context of a stable, secure and peaceful Africa. For this reason, South Africa has invested substantial human and financial resources to support regional and continent-wide initiatives to promote peace, stability and security.

Over the past decade, South Africa has made a number of interventions that have contributed to peace, stability and security in several countries on the continent and beyond. South Africa also played an important role in the diplomatic resolution of the Lockerbie case. It has assisted in various humanitarian and relief operations in southern Africa, as well as in post-conflict reconstruction.

On the multilateral front, South Africa was involved in the formulation and drafting of the SADC Protocol on Politics, Defence and Security Co-operation and the SADC Mutual Defence Pact. Police co-operation agreements have been concluded with several countries in southern Africa and beyond, facilitating cross-border operations and the combating of crime domestically, regionally and internationally. At continental level, South Africa made significant contributions to the drafting of the framework for the Common African Defence and Security Policy, and participated in drafting the AU Convention on the Prevention and Combating of Terrorism. On a global level, South Africa played a role in the establishment of the International Criminal Court.

South Africa is a relative newcomer to peace-support operations, but has quickly developed a reputation for its positive contribution in support of UN- and AU-mandated peace-support operations. Members of the SANDF are performing exemplary duties in the name of peace and stability as part of the UN and AU missions in the DRC, Burundi and Ethiopia/Eritrea, and more recently in Liberia and Sudan. South Africa continues to play a role as mediator in the conflict among the warring factions in the Côte d'Ivoire. South African peace initiatives have seen the adoption of a constitution in the DRC while two largely peaceful and successful elections were held in Burundi.

South-South co-operation and transformation of North-South relations

South Africa has sought the transformation of North-South relations (particularly with respect to debt relief, market access and fairer terms of trade) while consolidating South-South relations. The latter includes a new alignment of co-operation between India, Brazil and South Africa. A trilateral commission and co-operation agenda between these three countries has been established and is being implemented. The country's strategy in transforming North-South relations has included an ongoing and meaningful dialogue with the North through bilateral meetings, engagement with the G8 countries, and a series of conferences examining mutual issues of concern such as sustainable development, HIV and AIDS and racism. The engagement of South Africa alongside some of its counterparts in Africa, Asia and South America with the G8 has resulted in these countries committing themselves to the writing-off of 100% of the debt of 18 highly indebted and poor countries, 14 of whom are in Africa. This is complemented by the commitment to increase aid to the developing world to annual sums of US$50 billion (half of this amount pledged to Africa) by 2010.

Commitment to multilateralism and international law

Over the past decade, South Africa has consistently emphasised the need to strengthen and deepen multilateralism to meet the global challenges of poverty, insecurity and underdevelopment. Multilateralism has provided South Africa with a vehicle through which to advance a number of foreign policy priorities, including human rights, democracy,

debt relief, peace and stability, an equitable global trading system, sustainable development, and an enhanced international response to issues of poverty and health. South Africa has also actively advocated for the democratisation and reform of the UN, in particular its Security Council.

Key findings and lessons of the First Decade of Freedom

The challenges of the next decade arise from lessons of the First Decade of Freedom and from new challenges created by the process of change and transformation itself.

Influence of the Government's successes have often, though not always, been where it has had significant control, and less so where its influence has been indirect.

There has been great progress in building a new constitutional democracy, three spheres of government and a more integrated administration – but in many areas of service delivery there is a need for better performance by the Public Service.

There has been a major extension of social services, with striking impact on women's rights. However, many of those entitled to grants are still unregistered or poorly serviced. There are still many people who have not been reached by services they need.

Very good progress has been made in economic areas under government control, but it has not been matched in areas where new agencies or partnerships are involved – such as small business, HRD, restructuring of SOEs and empowerment. Govern-ment has had even less success in matters that depend on the private sector and civil society – including investment and employment creation.

National security has been enhanced, the rule of law established and institutions transformed. But, owing to challenges of the social transition, insufficient civil-society involvement, and new forms of organised crime, the gains in crime prevention could have been better.

Internationally, government has made progress beyond its limited resources as the country re-integrated in the global arena.

The social transition

Four major social trends of the First Decade of Freedom shape the challenges ahead:

More and smaller households

From 1996 to 2001, the South African population grew 11% from 40,4 million to 44,8 million. But the number of households grew by 30% from 9,7 million to 11,8 million, as households became smaller. The average household size has dropped from 4,5 to 3,8 persons. So, government has to provide additional housing and services for instance, to almost three million instead of one million households.

Bigger economically active population

The population has grown about 2% a year since 1995, but the economically active population grew over 4% a year (from 11,5 million to 16,8 million). The number of jobs grew by 20% (after accounting for jobs lost) but the economically active population has grown by over 40%. New job seekers are not only young adults but also older people who, under apartheid, did not consider themselves part of the labour market. Many of them are African women from rural areas.

Two economies in one country

While all main economic sectors grew between 1995 and 2002, there was a shift from public services, construction and mining to financial and business service sectors (where employment doubled). This is consolidating 'two economies' in one country. One is advanced and skilled, becoming more globally competitive. The second is mainly informal, marginalised and unskilled. Despite impressive gains in the First Economy, the benefits have yet to reach the Second Economy, which could fall even further behind without decisive government intervention.

Increased rural migration

There has been a shift from rural to big urban areas.

Twenty percent of people in the main urban areas are new migrants. This puts pressure on urban service delivery and economic opportunities, and causes loss of people and opportunities in rural areas.

These trends, added to the apartheid backlog, help explain the scale of the past decade's challenges and some of the limitations in progress, for example in unemployment, poverty alleviation and the fight against crime.

The global setting

As we enter the Second Decade of Freedom, the global environment is uncertain, with increasing tension, unilateralism and unresolved international trade issues.

But there are also new opportunities for developing countries to assert their interests. While many developments could marginalise Africa, there are opportunities for the continent to mobilise itself for a more humane approach to its plight and that of other poor regions. Among governments and citizens of developed countries there is potential to focus attention on the common objectives of humanity contained in the UN Millennium Declaration. South Africa is equipped to play a critical role in this regard due to its location, the size of its economy on the continent, and its current endeavours and outlook.

Challenges and opportunities in the Second Decade of Freedom

If South Africans are to make continued and faster progress towards a united, non-racial, non-sexist and democratic society in the Second Decade of Freedom, then they should move to a higher growth and development path. To achieve this, South Africa needs a major intervention: to reinforce the consolidation of democracy with measures aimed at integrating all of society into a growing economy from which they can benefit. This will require:

- an encompassing framework and vision defining a shared approach by all sectors of society in partnership around common development objectives
- better performance by the State, with focus on efficient implementation and decisive intervention to unlock any delivery logjams
- addressing consequences of the social transition, by improving access to work opportunities and sustainable livelihoods in urban and rural areas, and ensuring that, when people migrate, they have the skills and information to take advantage of opportunities
- improving the regional environment and implementing NEPAD, so that South Africa can weld together a number of southern African countries into a locomotive for faster growth in sub-Saharan Africa.