SA YEARBOOK 2007/08 | OVERVIEW

The advent of democracy presented government with twin challenges:
- the need for institutional transformation and the introduction of new policies in line with the democratic Constitution
- the need to deal with the legacy of apartheid in South Africa, while integrating the country in a rapidly changing global environment.

From 1994, the State set out to dismantle apartheid social relations and to 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 (HR)
- building the nation.

The RDP objectives were elaborated to include more specific priorities of different government clusters and departments.

The *First Decade of Freedom* review, conducted by government in 2003, assessed how far these objectives had been met through the work of its five clusters, and identified challenges of the Second Decade of Freedom. This review was supplemented in 2006 by a report on macrosocial trends.

The report, entitled *A Nation in the Making*, concluded that South African society was making advances in terms of both hard (socio-economic) and soft (identity and social cohesion) issues, but that there were still many challenges to be overcome to fully realise the vision of a better life for all.

In 2007, Cabinet approved a set of key development indicators to provide evidence-based pointers to the evolution of our society.

Based in part on the *Ten Year Review's* human-development indicators, they are markers that help define the milestones in the journey of social change.

Governance and Administration (G&A) Cluster

The first years of democracy saw the introduction of a new constitutional and legislative framework. 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 also emerging. These include governance reforms and performance areas.

Citizens of developing countries are demanding better performance on the part of their governments, and 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 government's performance in both the medium and long term. The indicators will measure progress in:
- 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 current particular needs and will be refined over time.

During the first decade, a major new architecture of institutions was created, spanning the three spheres of government. Many procedures and practices were revised in line with international best practice. Significant personnel mobility brought in new skills and motivated people, though it 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 remaining in a permanent and debilitating state of flux.

In the 13 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. These public entities receive considerable state funding and employ more than 280 000 people.

The Public Service Commission released its sixth *Annual State of the Public Service* report in April 2007. From the overview provided in this report, it is clear that significant milestones have been achieved by government. These include an average economic growth rate of almost 5%, the lowering of inflation, and improving the competitiveness and governance ratings of the country internationally. These measures reflect well on the country and have resulted in its successful reintegration into the global economic and political spheres of power.

The report concluded that the solid work that has taken place in the Public Service over the past decade must be maintained and improved upon. In a more competitive global context, it is important that government rallies all sections of society around a common vision and collective programme of growth and development. Ultimately, it is through such a partnership approach that a momentum for change can be sustained and optimal results achieved.

In the Public Service, various legal and regulatory frameworks, policies and programmes provide the parameters that guide good governance.

The introduction of the Public Finance Management Act, 1999 (Act 1 of 1999), improved accountability in government and to Parliament. Implementation of this Act 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.

National Treasury has published over 20 circulars, which give guidance to municipalities on budgeting, accounting systems, procurement and other aspects of financial management so that municipal councils have suitable instruments to hold their executive and management teams accountable for the resources and services for which they are responsible.

Since 2004, the G&A Cluster has undertaken critical work in support of municipalities through Project Consolidate by deploying engineering, financial management and other technical experts. By July 2007, 291 infrastructure projects, valued at R1,5 billion, were receiving implementation support. The infrastructure projects typically focus on service-delivery programmes. Following on from Project Consolidate's hands-on support to local government, it also addresses institutional capacity and policy refinement.

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

The Single Public Service project is an attempt to remove artificial barriers between spheres of government, eliminate duplication of services and create through a single window of access and one-stop shop experience. This will facilitate an integrated service-delivery model across the three spheres of government. The July 2007 Cabinet Lekgotla approved that consultations on the Single Public Service Bill should commence.

The battle against corruption remains high on government's agenda. Government departments have been provided with a new guide to establishing minimum anti-corruption capacity. The revised guide provides practical examples of successful implementation. The National Anti-Corruption Forum (NACF) has strengthened the country's partnership approach to promote ethical conduct.

The NACF is yielding positive results. South Africa's anti-corruption drive has a strong public participation dimension, whereby citizens are encouraged to actively play a role in reporting acts of corruption. By 30 November 2006, 2 297 allegations of corruption relating to national and provincial departments had been reported through the National Anti-Corruption Hotline.

As part of the anti-corruption initiatives, South Africa hosted the Africa Forum on Fighting Corruption from 28 February to 2 March 2007, as a precursor to the Global Forum V on Fighting Corruption and Safeguarding Integrity, which was hosted by South Africa from 2 April to 5 April 2007. The forum provided a platform to discuss societal values, national integrity systems and the role of leadership in promoting ethical values in all sectors of society.

The Africa Forum and Global Forum have established a new continental and global understanding of and debate on corruption and its impact on development. The forums gave South Africa the opportunity to shape global anti-corruption discourse and identified the need to address the root causes of corruption, which is a structural global phenomenon involving all sectors

of society, and which affects both developed and developing countries.

There is a skills shortage in critical areas, which is exacerbated by the competition for skills from the private sector and abroad. Government launched the Joint Initiative on Priority Skills Acquisition (Jipsa) in March 2006. Jipsa sets skills priorities in support of the Accelerated and Shared Growth Initiative for South Africa's (AsgiSA) economic growth objectives. It advises on aligning the training and skills-development efforts of the public and private sectors with the objectives of AsgiSA, without undermining the development and implementation of longer-term human-resource development (HRD) strategies.

Jipsa provides an inclusive platform through which the social partners can demonstrate their commitment to HR and skills development, deliver on both short- and medium-term skills targets, and strengthen the existing mechanisms for skills delivery.

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), the cluster approach, the Forum of South African Directors-Generals, the Presidential Co-ordinating Council and the restructured Cabinet committees are all contributing to better co-ordination of policy-making and implementation. IDPs were adopted by all municipalities by the end of July 2007, which represented the first 100% adoption rate since the introduction of IDPs.

By August 2007, the pilot project for the harmonisation of the NSDP, provincial growth and development strategies (PGDSs) and IDPs had been concluded in all identified 13 pilot areas.

In an effort to improve service delivery, Thusong Service Centres (former multipurpose community centres) have been set up to provide information and services to the public. Norms and standards for service delivery at Thusong Service Centres have been developed as part of the service-level agreements with departmental and other service-providers. These service-providers will be trained in Batho Pele principles. By bringing together the services of many departments, such as health, social development and home affairs, Thusong Service Centres are critical in ensuring that information and services are brought closer to communities. In areas where there are no formal Thusong Service Centres, the Government Communication and Information System (GCIS) is working with other providers of information, ranging from police stations to council offices, to establish Thusong Information Points. By May 2007, agreement had been reached on over 500 such points.

By October 2007, there were 96 operational Thusong Service Centres.

The Batho Pele Gateway, consisting of an Internet portal for information about services and backed up by a call centre, is making comprehensive information about government services available round the clock. This is a resource specifically for Thusong Service Centres, citizen post offices and other intermediaries such as community development workers (CDWs) and organisations.

The decision to introduce CDWs was taken in 2003 as a measure to enhance access to government's socio-economic programmes. By August 2007, 3 011 CDWs were deployed in over 2 000 wards across the country. A further 645 learners were expected to enter the learnership programme by the end of August 2007.

Each year, government defines its 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, premiers and 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 on implementation in the Second Decade of Freedom, an M&E system was initiated at the start of the term of office of 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 bimonthly cycle of reporting are communicated to the public in various ways – through the Government website, through regular ministerial media briefings, through mass multimedia communication via print and broadcast media, and through information products produced by government. Communication is structured to promote the widest dissemination, including to people with the least access to media.

The framework for a government-wide M&E system has been approved by Cabinet. By July 2007, the system was being developed. The aim is to create a dashboard reflecting public-sector performance and other statistical information. The government-wide M&E system processes information from a wide range of sources, such as government's transversal systems, including the National Statistical System of Statistics South Africa.

M&E of local government at provincial level has been greatly strengthened, with M&E units established in eight out of nine premiers' offices and six out of nine provincial local government departments.

Intergovernmental relations have been significantly strengthened through the implementation of the Intergovernmental Relations Framework Act, 2005.

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 Second Decade of Freedom 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 on poverty alleviation while rebuilding other areas
• building the organisation and capacity of government with special emphasis on the local government system
• improving accountability to, and contact with, citizens at all spheres 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 government-wide M&E system.

Three years into the Second Decade of Freedom, good progress is being made in meeting these challenges.

Social Cluster

The central programme of the social sector focuses on poverty alleviation through 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* and *A Nation in the Making*).

Government's approach deals with poverty on multiple fronts: basic income security aimed at providing safety nets for the most vulnerable; basic services and other non-financial transfers (social wage), including free basic municipal services like water, electricity, refuse removal, education and primary healthcare for the poor; addressing asset poverty by accelerating delivery of houses and land-reform programmes; HRD initiatives, which focus on skilling the poor to improve employment prospects; and second-economy initiatives such as the Expanded Public Works Programme (EPWP); AsgiSA; and small and medium enterprise initiatives.

According to the *Development Indicators* released in 2007 by the Policy Co-ordination and Advisory Services (PCAS) in The Presidency, poverty has been reduced, especially after 2000:
• in real terms, the income of the poorest has improved
• the number of people in Living Standards Measures (LSMs) 1 to 3 has decreased and those in higher LSMs have increased
• the percentage of the population living on less than R3 000 per year (constant rand for the year 2000) has decreased from 50% to 43%
• some 12 million people receive social grants.

The release, for the first time, of the *Development Indicators* by government reflects progress in establishing a government-wide M&E system. The *Development Indicators* provide pointers to the evolution of our society up to the middle of this government's term, two-and-half years after the April 2004 election. In addition to promoting effective planning and implementation, the publication of the indicators is intended as a contribution to public discourse on the progress South Africa is making towards the ideals inscribed in the Constitution.

The review of the state of poverty in South Africa is expected to be completed by March 2008, while by mid-2007, the Anti-Poverty Framework was being developed.

Social grants are no longer allocated on a racial basis as was the case under apartheid. Grants are targeted at, among others, pensioners, poor families with children, war veterans and families taking care of children and people in need.

With regard to social assistance and social insurance, 3,2% of gross domestic product (GDP) is going in the form of social grants to 12,7 million beneficiaries, and the South African Social Security Agency (SASSA) is fully functional, helping to reduce inefficiencies in the social grant system.

The establishment of the Government Employees Medical Scheme has extended medical cover to employees previously not covered by medial schemes.

One of the key programmes launched by government is the EPWP, which is operational in all provinces.

The EPWP is on course to reach its target of one million job opportunities in five years. At least 485 000 net work opportunities were created through the EPWP since inception in 2003 to December 2006.

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

Between 1994 and August 2007, government injected more than R44,1 billion into housing, which delivered security of tenure, and built 2,4 million houses.

By the end of the 2006/07 financial year, the Commission on the Restitution of Land Rights had settled 93% of the 79 696 claims lodged. It still had to settle an outstanding 5 279 rural claims.

Access to electricity, water and sanitation has improved. By 2005, South Africa had already achieved the Millennium Development Goal in respect of basic water supply, with improvement of access to 83% in 2006. According to the United Nations Development Programme (UNDP), South Africa is one of the few countries that spend less on military budgets than on water and sanitation. According to the *UNDP Human Development Report* of 2006:

"*South Africa has demonstrated how the human right to water can serve as a mechanism for empowerment and a guide to policy … Rights-based water reform has enabled it to expand access and overcome the legacy of racial inequality inherited from apartheid, partly through rights-based entitlements.*"

In 2006, 1,2 million people received access to basic water, contributing to government's target of eradicating the backlog of people without access to water by 2008. An additional 250 000 households received access to basic sanitation.

By August 2007, 149 863 bucket toilets had been removed around the country compared with the initial backlog of 252 254 in February 2005.

For the medium-term expenditure period of 2005/06 to 2007/08, a budget of R1,2 billion was allocated for bucket eradication under the Municipal Infrastructure Grant programme. In 2005/06, R200 million was allocated to municipalities with capacity to deliver or had already initiated the Bucket Eradication Programme. In 2006/07, R400 million was allocated to muncipalities with some capacity but which required support. In 2007/08, R600 million was allocated to municipalities with no capacity and those that received the bucket allocation for the first time. The allocation was increased by a futher R400 million at the beginning of 2007.

By July 2007, free basic services reached 74% of the population. By April 2007, access to water had increased from 59% of households in 1994 to

86%; and access to sanitation had increased to 71% from 50% in 1994.

The electrification programme has seen 3,5 million homes electrified between 1994 and 2006. In line with the Integrated National Electrification Programme, government has established the Free Basic Electricity Programme according to which people earning below a certain income bracket receive a free monthly allocation of 50 KWh. By 2006, some 9,6 million households had access to electricity. More than 4,2 million new electrical connections had been made since 1995.

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

By April 2007, 1 600 clinics had either been built or upgraded since 1995 and 11 new hospitals built since 1998.

Free healthcare is provided to children under six years of age, pregnant and lactating women and to people with disabilities.

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.

Government has implemented several immunisation campaigns, resulting in the overall immunisation coverage increasing to 83% by July 2007. In addition, the country has been declared polio-free by the Africa Regional Certification Commission, which is a subcommittee of the Global Certification Commission.

The National School Nutrition Programme (NSNP) provides school meals for children to enhance active learning capacities and to improve attendance patterns at targeted schools. By April 2007, the NSNP was reaching 5,9 million learners in 18 000 schools.

A number of schools participating in the NSNP have established vegetable gardens to enrich the nutritional value of the meals served in schools.

The National Strategic Plan (NSP) for HIV and AIDS and STIs for 2007 – 2011 is a comprehensive and holistic approach that is designed to guide the country's response to the pandemic. The targets set out in the plan have been informed by broad and comprehensive consultation with civil society, South African scientists, labour, business, traditional leaders, lobby groups and health workers who have extensive experience in the area of HIV and AIDS.

The plan is implemented rigorously in partnership with all of civil society, as co-ordinated by the South African National AIDS Council and the Inter-Ministerial Committee, under the leadership of the Deputy President of South Africa, Ms Phumzile Mlambo-Ngcuka.

The primary aims of the NSP are to:
• reduce the number of new HIV infections by 50% by 2011
• reduce the impact of HIV and AIDS on individuals, families, communities and society by expanding access to appropriate treatment, care and support to 80% of all people diagnosed with HIV.

By May 2007, progress had been made in various aspects of the plan:
• In accordance with the plan, each of the 53 health districts in the country had at least one service point providing comprehensive HIV- and AIDS-related services, including antiretroviral therapy (ART), from prevention to terminal palliative care.
• Some 250 laboratories had been certified to provide support to the programme.
• Three pharmacovigilance centres had been established to monitor and investigate adverse reaction to treatment. However, at the time, only two were operational.

The accumulative total of patients who started ART was estimated at 300 000 at the end of June 2007. A total of 342 facilities had been accredited to implement this treatment and more sites were being accredited to further expand access.

According to the *Development Indicators*, in 2006, South Africa had 315 000 TB cases. The most affected provinces were the Eastern Cape, KwaZulu-Natal, Gauteng and the Western Cape.

Free TB-testing is available at public clinics countrywide. Failure of patients to complete their TB treatment regimen poses a major challenge. Government spends R400 on treating every patient with ordinary TB.

When these patients default treatment and, as often happens, develop multidrug-resistant TB, the cost of treatment dramatically increases to R24 000, including hospitalisation and more expensive drugs.

To reverse this situation, government has developed the National TB Crisis-Management Plan, which identifies four districts with a high number of TB cases and low cure rates. These districts are Amatole and Nelson Mandela

Metropole in the Eastern Cape, City of Johannesburg and eThekwini Metro. Government has also selected KwaZulu-Natal and Eastern Cape as provincial focus areas for enhanced interventions against TB.

The goal is to ensure that every case of TB is detected and patients are supported during the entire period of at least six months while on TB treatment to ensure that they are cured.

The prevalence of malaria has decreased substantially over the past five years from prevalence levels above 80% in some areas to current levels below 10%. This can be attributed to the success of indoor residual spraying using DDT and the partnership with Mozambique and Swaziland. In 2006, there were 12 322 malaria cases compared with 27 035 in 1996.

In 2006/07, consolidated investment in the education sector amounted to R93 billion, representing an increase of 12,8% over 2005/06. Education spending as a percentage of GDP remains relatively stable at around 5,5%.

Since the 1990s, the overall balance of boys and girls among the 12,3 million school learners has approached parity.

In September 2007, Cabinet noted the *National Education Infrastructure Management System Report*, which is an update on the *School Register of Needs*. The report highlighted the progress the country was making in addressing the school infrastructure backlogs and the challenges that still lay ahead.

Progress between 1996 and 2006 include the following: the number of overcrowded schools dropped from 51% to 24%; the number of schools with electricity increased from 11 174 to 20 713; and schools without access to water decreased from 8 823 to 3 152.

The 2005 Education Amendment Bill became law in January 2006 and took legal effect with regard to no-fee schools in 2007. By September 2007, nearly five million learners (40%) were beneficiaries of the No-Fee School Policy. The policy has been well received in communities and stands to have a lasting impact in access to education. It has accordingly increased access, reduced pressure on households while removing the uneconomic administration of small amounts.

The Grade 12 class of 2006 was the largest class in the past five years. A total of 528 525 candidates wrote the exam in 8 124 exam centres. The national pass rate was 66,6%. Between 1994 and 1999, the senior certificate pass rate fluctuated between 47% and 58%. After 1999, the pass rate improved substantially, reaching 73% in 2003. From 2004 onwards, there has been a slight drop in the pass rate each year. The focus is now on quality and increasing Mathematics and Science output.

By July 2007, an amount of R100 million was allocated for bursaries in further education and training (FET) colleges, benefiting more than 12 500 students. The National Students' Financial Aid Scheme is responsible for the administration of the bursaries for learners enrolled in the responsive National Certificate Vocational Programme.

Thousands of young people who are first-generation entrants to Higher Education (HE) enjoy state-funded support for study at this level, and positive growth efforts have begun increasing graduation rates in critical fields of study.

Enrolment of female learners in HE increased from 44% in 1994 to 53% in 2003. Black students account for over 72% of enrolments in HE. In 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 brought together historically black and historically white institutions.

Government has committed R2 billion for the systematic modernising and developing of the FET college sector. Central to modernisation is the offering of high-level vocational skills. The Department of Education's response in support of the Jipsa has been to develop 13 new programmes in skills areas that are critical for the country's economic development. The skills include engineering, construction and other scarce skills areas.

The number of literate people in the country increased between 1995 and 2005. To further decrease the illiteracy rate, in August 2007, Cabinet approved the Operational Plan for a National Mass Literacy Campaign. Eighty thousand tutors will be engaged to enable 4,7 million adults to achieve basic literacy and numeracy by 2012, at a cost of R6,1 billion.

The Youth Desk in the PCAS Unit in The Presidency has sharpened its focus on youth-development and ensured its integration into the mainstream. This has been achieved through the elaboration of youth-development programmes in the Government's Programme of Action since 2006.

Over and above supporting the co-ordination of strategic activities of institutions like the National Youth Commission and the Umsobomvu Youth Fund and supporting the process of reviving and developing the National Youth Service (NYS) programme permeates the thinking, planning and implementation approaches of government departments.

By mid-2007, 19 government departments committed to implement the NYS. About 20 870 youth were engaged in NYS programmes.

The unit has launched the Youth Development Forum, which provides a platform for the youth sector to engage the private sector on critical youth-development issues.

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. These are further elaborated in the macrosocial report, *A Nation in the Making*.

Among these dynamics 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 interventions in the Second Economy forward, the following additional programmes have been introduced or are being further strengthened, as part of the EPWP, and are focused on providing training, work experience and temporary income, especially to women and youth:
• the Early Childhood Development Programme, based on community participation, having ensured a common approach among all three spheres of government
• increasing the number 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 to ensure effective targeted interventions, a socio-economic survey of these communities will be carried out at 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 by 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. Regarding 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 vigour.

Regarding the social sector, government has continued to allocate more resources and to put in more effort to provide services to society at large, and a safety net for the indigent.

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 announced for the salaries of educators.

Government's social-sector programme for 2007/08 included 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.

Informed by the findings of the macrosocial report, Cabinet has approved the development of a macrosocial strategy, working with civil society, to strengthen social cohesion among South Africans and rapidly ameliorate conditions of all South Africans. It will focus on developing young people through community service and education, strengthening positive community values, enhancing solidarity, and improving social networks. National campaigns will be launched to mobilise young people and to promote nation-building.

Economic Cluster

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 HR, and build the nation.

In 1996, the Growth Employment and Redistribution programme was introduced to

provide a clearer macroeconomic framework for stable and accelerated growth.

In 2001, National Treasury shifted towards a more expansionary stance, having won credibility from financial markets for conservative and predictable macroeconomic policies. The Microeconomic Reform Strategy was formalised in Cabinet in early 2002.

AsgiSA will open the way for faster implementation of various government programmes. By addressing the binding constraints to faster growth of the economy, it will create conditions for the speeding up of economic growth to at least 6% a year between 2010 and 2014.

This will help halve unemployment and poverty by 2014, as mandated by the electorate in the 2004 election.

AsgiSA is a response to the following binding constraints:
- the relative volatility of the currency
- the cost, efficiency and capacity of the national logistics system
- the shortage of suitably skilled labour amplified by the cost effects on labour of apartheid spatial patterns
- barriers to entry, limits to competition and limited new investment opportunities
- the regulatory environment and the burden on small and medium businesses
- deficiencies in state organisation, capacity and leadership.

Some R500 billion has been set aside for AsgiSA infrastructure programmes between 2007 and 2010.

Some of these programmes will strengthen the economy by investing in the electricity, transport and telecommunications systems. To improve service delivery in underdeveloped urban and rural areas, AsgiSA will work through the Municipal Infrastructure Grant, the EPWP and other infrastructure funds.

These will improve service delivery such as roads and railways, water, electricity, housing, schools and clinics, business-support centres, sports facilities and government-service centres.

Since 2004, growth has averaged over 4,5%, and thus the country seems likely to achieve the AsgiSA target of at least 4,5% for 2009, and 6% for 2010 to 2014.

Inflows of foreign capital have been exceptionally high since 2003, with South Africa regularly being the third-largest recipient of portfolio investment among emerging markets. South Africa also had several large inward foreign direct investment (FDI) transactions, including, in 2007, a US$5,5-billion investment in Standard Bank by China's ICBC. This was China's largest-ever outward direct investment, and South Africa's largest-ever single inward investment. South Africa received more than R200 billion in capital inflows during 2006.

Government's efforts in advancing trade, attracting FDI and promoting tourism will focus on strengthening engagement with traditional markets, increased focus on new emerging markets, strengthening economic engagement with the rest of the African continent, and continued work in the World Trade Organisation (WTO).

On average, per-capita growth was negative in the decade before 1994. Since 2000, average output per person has been growing more rapidly. With annual GDP growth of over 4,5%, and the overall population growth rate for 2005/06 estimated at 1,06%, average wealth per person can be expected to continue to rise at over 3% per year for the foreseeable future.

This wealth is not automatically distributed evenly among South Africans, but it represents funds available, some considerable proportion of which can be redistributed through the budget and by other means to reduce poverty and inequality.

The recent improvement in job creation coincides with the period during which economic growth accelerated to over 4,5% per year. If the employment-creation performance achieved since March 2004 is maintained, the target will be met. This is only likely if the growth rate continues to improve, especially in areas with higher rates of labour absorption.

Growth in the number of employed people has been particularly strong in the two years to September 2006 when over a million additional people were employed.

The results of the *Labour Force Survey*, conducted in March 2007, indicated that:

- A total of 12 648 000 South Africans were employed in the year to March 2007.
- There was a net gain of 197 000 jobs in South Africa. The most job gains were seen in the formal sector, excluding agriculture (364 000), while the sharpest decline was in informal/sub-sistence agriculture, which decreased by 243 000.
- The major contributing industries to new jobs were community and personal services, which increased by 127 000 jobs, finance by 126 000 jobs, and construction by 102 000 jobs.

The reform of trade and industrial policies is reflected in 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 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 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 also had a framework discussion with China.

In accordance with AsgiSA, two sectors have been identified for immediate priority attention: business process outsourcing (BPO) and tourism. These industries are labour-intensive, rapidly growing sectors worldwide, suited to South African circumstances, and open to opportunities for Broad-Based Black Economic Empowerment (BBBEE) and small-business development.

Another priority identified by AsgiSA is the biofuels sector. By November 2007, the biofuels strategy was being finalised. It will assist government to increase job creation, minimise the current account impact of crude oils price increases, and secure local energy supplies and use of clean energies.

BPO has the potential to create 100 000 additional direct and indirect jobs by 2009.

Government and business have a joint project, supported by the Business Trust, and led by the Minister of Trade and Industry and the Chair of Standard Bank, to remove obstacles and refine incentives to achieve this goal.

The tourism industry has, for several successive years, justified its designation as one of AsgiSA's top priority sectors. The year 2006 was no exception with the tourism sector's total GDP contribution estimated at 8,3%.

South African tourism statistics for 2006 showed a 14,5% increase in tourism arrivals compared with 2005 figures. Despite the contribution to the economy, the industry still has to be transformed to benefit more previously disadvantaged individuals. Tourism outperforms most economic sectors in terms of job and entrepreneurial opportunities created. Tourism growth can be attributed to market-related forces and also the aggressive marketing strategies that South African Tourism and other parastatals and private companies have embarked upon internationally. Other high-priority industries which are to follow are in the agriculture and agroprocessing fields.

Further priority sectors include:
- chemicals
- metals beneficiation, including the capital goods sector
- creative industries (crafts, film and TV, content and music)
- clothing and textiles
- durable consumer goods
- wood, pulp and paper.

Cross-cutting industrial policy challenges that are also being addressed include:
- inadequate competition and import parity pricing
- capacity for trade negotiations
- a more co-ordinated African development strategy
- better incentives for private research and development (R&D) investment
- better use of BBBEE to encourage industry transformation, beyond the transfer of equity.

Policy on state-owned enterprises (SOEs) focuses primarily on the key economic sectors of telecommunications, energy, defence supplies and transport. SOEs are increasingly being recognised as vital players in advancing the objectives of the developmental state and obtaining the goals and targets set out in AsgiSA.

Reform of the SOEs is to improve the access of the historically disadvantaged to services such as

telecommunications and electricity; to increase efficiencies and hence reduce costs; and to use the revenues earned through the disposal of state assets to reduce public debt.

In accordance with AsgiSA, government and public-enterprise investment expenditure for the period 2007 to 2010 is planned to be about R500 billion. Of this, about 50% will be spent by public enterprises, mostly Eskom and Transnet, mainly on power generation, power distribution, rail transport, harbours and an oil pipeline. The Airports Company of South Africa has begun major investments in new airport infrastructure at the major airports, and on a new airport for Durban. The general purpose is to improve the availability and reliability of infrastructure services in response to rapidly growing demand.

The priority areas for the Department of Public Enterprises are implementing an effective shareholder-management system; ensuring the implementation of the infrastructure-investment programme; supporting SOEs in maintaining healthy balance sheets; facilitating partnerships with the private sector where required; and maximising the impact of the Capex programme in the economy.

In restructuring state assets and liberalising previously monopolised markets, new systems of regulation have been established. These include new regulators in the transport, tele-communications 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 among 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. 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. Since the early 2000s, South Africa has had a series of positive reforms regarding the level of personal and company income tax. Significant reforms in recent years have reduced the tax burden for small businesses, and the threshold for tax eligibility has been raised considerably.

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. To promote an inclusive economy and competitive outcomes, amendments to the Competition Act, 1998, designed to bring South African legislation in line with international best practice rather than a wholesale review, was presented to Cabinet during 2007.

Combining formal and informal business activities, small, medium and micro-enterprises (SMMEs) constitute about 95% of all enterprises in the country. If one excludes all informal activities and self-employment, SMMEs currently absorb between 50% and 60% of the formally employed labour force and contribute at least 30% to GDP, and their contribution is growing steadily.

South Africa is alive to the challenge of increasing the contribution of small businesses to output and employment. During 2006/07, 39 partner organisations were approved by the South African Micro-Finance Apex Fund with funding commitments of R69 million. Khula has also achieved success in reducing bad debts, with write-offs declining substantially to 5% of all approvals. Small Enterprise Development Agency infrastructure roll-out continues and 40 branch offices were expected to be operational nationwide by the end of 2007.

For both the public infrastructure and private investment programmes, the single greatest impediment is shortage of skills – including professionals such as engineers and scientists; managers such as financial, personnel and project managers; and skilled technical employees such

as artisans and information and technology technicians. The shortfall is due to the policies of the apartheid era and the slowness of South Africa's education and skills-development institutions to catch up with the current acceleration of economic growth.

The AsgiSA responses range from medium-term educational interventions to raise the level of skills in areas needed by the economy, to immediate measures to acquire the skills needed for the implementation of AsgiSA projects.

Educational responses to the skills challenge include:

- the QIDS-UP programme aimed at achieving high levels of literacy and numeracy in the lowest grades, based in 3 500 schools in all provinces
- the Mathematics and Science (Dinaledi) programme for 529 high schools to double Mathematics and Science high-school graduates to 50 000 by 2008
- an upgraded career-guidance programme
- upgrading of FET colleges.

Apart from interventions to address the skills challenge in the educational sphere, measures include the development of the Employment Services System (to close the gap between potential employers and employees), and phase two of the National Skills Development Strategy.

Other key skills projects include the deployment of experienced professionals and managers to local governments to improve project-development, implementation and maintenance capabilities. One important project is the establishment of Siyenza Manje, a bureau of retired civil engineers, municipal managers and project managers to assist municipalities in developing and maintaining infrastructure and services.

Jipsa is led by a committee of the Deputy President, key ministers, business leaders, trade unionists and education-and-training providers or other experts. Its job is to identify urgent skills needs, and quick and effective solutions.

Solutions may include special training programmes, bringing back retirees or South Africans and Africans working out of Africa, and drawing in new immigrants where necessary. They also include mentoring and placement of trainees – both in South Africa and overseas – to fast-track their development. Jipsa has an initial timetable of 18 months, starting in March 2006, after which its future will be reviewed.

According to the *Employment Equity Report 2006/07*, blacks (i.e. Africans, coloureds and Indians)

represented 26,9% of all employees at the senior management level. Black females represented 8% (African female 3,6%, coloured female 2,1% and Indian female 2,3%). Black males represented 18,9% (African male 9,8%, coloured male 3,7% and Indian male 5,4%).

Whites represented 70,9% of all employees at this level. White females accounted for 19% and white males for 51,9%. Foreign nationals represented 2% of all employees at this level.

A huge amount of work still needs to be done to bridge the gender gap, particularly when one takes into account the fact that women make up 42% of the South African working population. The transformation of the South African economy will not be complete until men and women have equal participation in the economy.

The representation of women in Parliament and all provincial legislatures increased from an average of 25,4% in 1994 to an average of 32,5% in 2004. This increase puts South Africa in the league of the few countries that have passed the 30% mark in terms of female representation.

Female representation at local government level increased markedly to about 40% after the 2006 elections. The presence of women has also increased dramatically in the executive branches across the three spheres of government.

After a promising start, the value of BEE transactions in relation to all mergers and acquisitions fell after 1995. Since 1998, the value of these transactions rose steadily to peak at R56 billion in 2006. The average share of BEE in transactions is approximately 15% of mergers and acquisitions.

Government's intermediate goal is to dedicate 1% of GDP to R&D by 2008. R&D spend in South Africa is on the rise. The 2005/06 R&D survey, released in 2007, found gross expenditure on R&D stood at R14 billion, representing a rise of R2 billion on the year before.

This means R&D expenditure, expressed as a percentage of GDP, rose from 0,87% for 2004/05, to 0,91% for 2005/06, representing a new high of R&D intensity in the country.

In 2006, the Minister of Finance announced the introduction of increased tax deductions to the business sector, from 100% to 150%, for conducting R&D, and proposed a more favourable regime for the depreciation of R&D capital expenditure. This is an important development and an expression of government's confidence in the private sector and its role in R&D and innovation.

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 Microeconomic Reform Strategy on input costs and skills. These are precisely the issues which AsgiSA has prioritised.

A strong industrial policy is essential in driving this structural diversification of the economy.

The July 2007 Cabinet Lekgotla's approval of the Industrial Policy Action Plan is a major milestone for the Economic Cluster. The action plan will facilitate and support industrial development through the implementation of targeted programmes, and serve as a basis for improved co-ordination within the cluster.

Key action plans in four broad sectors, namely capital goods, transport equipment and metals; automotive assembly and components; chemicals, plastics and pharmaceuticals; and forestry, pulp and paper have been finalised for immediate implementation.

In addition, an industrial upgrading programme will be developed to address the issue of outdated equipment, including in sectors such as clothing and textiles. A review of selected import duties will be undertaken as a means to drive down input costs and enhance the competitiveness of downstream industries that are more labour-intensive.

Cabinet has also approved the 10-year innovation plan that aims to significantly contribute to transforming the economy towards the knowledge-based economy. The plan will focus on increasing investments in:
• human capital development
• knowledge generation and exploitation (R&D activities)
• knowledge infrastructure
• enablers to address the "innovation chasm" between research results and socio-economic outcomes.

Government has been successful in ensuring macroeconomic 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 have held back higher rates of investment.

As a response to these and other binding constraints, AsgiSA will open the way to the faster and shared growth of which the South African economy is capable.

Justice, Crime Prevention and Security (JCPS) Cluster

The JCPS Cluster is following a two-pronged strategy in the fight against crime in South Africa. The strategy, while confirming the central role of law-enforcement agencies in the fight against crime, also focuses on community involvement and the establishment of partnerships as key instruments in crime prevention and combating.

The National Crime Prevention Strategy (NCPS) emphasises that crime is not purely a security or law-enforcement issue, but that it is also a social issue. Consequently, it gives 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 the highest levels of contact crime. Working and acting in consultation with the provincial administrations, the cluster has developed sociographic 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

focuses 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 achieved long-term improvement in crime levels, particularly in the 169 police-station areas that accounted for the 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 of 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.

The current strategic thrust for policing in South Africa is the reduction of crime levels by between 7% and 10%.

Since the 2003/04 financial year, the following significant cumulative decreases have been recorded: attempted murder (-34,4%), common assault (-26,8%), common robbery (-27,1%), assault with the intent to inflict grievous bodiy harm (GBH) (-17,9%), aggravated robbery (-7,3%), murder (-5,2%), rape (-2,4%) and indecent assault (-1,5%).

When the crime figures for 2006/07 were compared to those recorded during the 2005/06 financial year, it was found that most of the contact-related, property-related and other serious crime trends experienced decreases.

Eight serious crimes were grouped together as contact crime or violent crime against the person. These crimes are murder, attempted murder, rape, assault GBH, common assault, indecent assault, aggravated robbery and other robbery. These crimes account for 33,3% of South Africa's recorded crime.

Six of the eight contact crimes, namely rape, attempted murder, assault GBH, common assault, indecent assault and common robbery, decreased by between 8,7% and 3%.

These decreases were: common assault (-8,7%), common robbery (-5,8%), indecent assault (-5,5%), rape (-5,2%), assault GBH (-4,9%) and attempted murder (-3,0%). There was an overall decrease of 3,4% in contact crimes during the period under review. Two of the eight contact crimes, namely aggravated robbery and murder, increased by 4,6% and 2,4% respectively. Aggravated robberies

(instances of robbery accompanied by violence and/or the use of a weapon, and murder) are obviously a cause of concern to the South African Police Service (SAPS). It is concentrating a great deal of its efforts on implementing operations and interventions to prevent and combat this particular crime trend.

Car hijackings and house robberies, two of the subcategories of aggravated robbery, increased by 6% and 25,4% respectively during the period under review, accounting for just more than one out of five aggravated robberies. Almost three quarters of all aggravated robberies were street/public robberies that occured mainly in central business district areas and the mega-townships where people are robbed of their money or other valuables at gun or knifepoint.

Government has prioritised interventions to deal with certain 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.

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.

South Africa is among a number of countries internationally that are defining regulations to impose strict gun-control laws as a means to curb gun violence.

The Firearms Control Act, 2000 (Act 60 of 2000), and the Firearms Control Amendment Act, 2003 (Act 43 of 2003), assist the SAPS in preventing the proliferation of illegal firearms and in removing them from society, as well as to control legally owned firearms.

Between 1 July 2004 and 31 March 2007, a total of 103 541 licensed firearms were handed in voluntarily to the police, together with 1 468 840 rounds of ammunition. During the same period, the police confiscated illegal firearms and ammunition to the tune of 73 132 and 1 125 666, respectively. Between 2002 and 2006, 415 351 firearms were destroyed by the police.

The fight against organised crime was enhanced by the establishment of the Directorate: Special Operations, emphasising closer integration between all the law-enforcement agencies, the prosecution service and the intelligence structures, including the Financial Intelligence Centre. These initiatives and ongoing SAPS operations have yielded some good results.

The SAPS is strengthening the partnership between organised crime investigators and the National Prosecuting Authority (NPA) to ensure appropriate guidance of investigators and to improve conviction rates in this category.

By August 2007, the review of the criminal justice system (CJS) had been finalised for submission to Cabinet.

The review seeks to improve investigation and adjudication, including achieving improvements in case-flow management and reduced case cycle times of criminal matters throughout the CJS.

By August 2007, there were aspects of the review that were already receiving attention and where changes had been effected.

These included the adoption of the E-Scheduler, which is a new electronic court-management system that covers every court to which prosecutors, judicial officers, detectives and court personnel, who administer the court processes, will have access to. By August 2007, 3 852 users had been registered.

An upgrade has been done to 1 208 court rooms, including 222 high-court rooms, where the old manual court-recording system has been replaced by an advanced digital recording system. The video postponement of cases is being rolled out by the provision of high-quality multiprotocol communication links between court rooms and correctional services facilities. Forty courts and 22 correctional centres will benefit from the project.

The Department of Justice designed a programme to accelerate the appointment of women to judicial positions. The effort has already seen 19 female lawyers from the magistracy and the private sector undergoing training towards that end. The project seeks to provide accelerated development to selected participants for possible appointment as judges or acting judges to address the underrepresentation of women in the judiciary.

It is further intended to establish a wider skills pool from which female judges of all races can be drawn.

Between 2001 and 2007, the Department of Correctional Services reduced overcrowding by an average rate of 4,77% per year. However, overcrowding was still estimated at 38%. Interventions made include increasing available bed spaces by nearly 15% through renovations, re-commissioning old prisons, reducing awaiting-trial detainees (ATDs) by 22% through greater integration of the whole CJS and progressively optimising the use of legal instruments at its disposal.

Reducing ATDs, especially children, was one of the strategic initiatives identified by the NPA for 2006/07. The objective of the project was to effectively reduce the number of ATDs, develop criteria to manage them according to severity of crime, the effective management of children awaiting trial, and to participate at provincial level in ATD structures.

National security is protected, in part, in the context of transforming the notion of national security and of 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.

South Africa's territorial integrity is rendered vulnerable by the limited capability of the South African National Defence Force (SANDF), the absence of a national security strategy, and the absence of 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 the 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.

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

Among the priorities for the Second Decade of Freedom is the need to entrench the rule of law and to 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, through 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. 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. 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, to reducing poverty, and to 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 co-operation 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.

South Africa has successfully normalised its diplomatic relations with the world and has rejoined all significant regional, continental and multilateral institutions.

Over the past decade, the country has been honoured to host a number of important multilateral conferences, including the United Nations (UN) Conference on Trade and Development (Unctad) IX (1996), Non-Aligned Movement (1998), Commonwealth (1999), World Conference Against Racism (2001), African Union (AU) (2002) and World Summit on Sustainable Development (2002). It is also the host of the Pan-African Parliament.

In these forums, South Africa has consistently worked to promote agendas and outcomes that address poverty and the underdevelopment of the South. South Africa has also hosted several international sports tournaments, and preparations are well under way to host the FIFA World Cup™ in 2010. South Africa has pledged to be Africa's stage for the hosting of the best World Cup ever. It's a promise the country has guaranteed will be kept and it means the Government will provide all the support that is needed for a successful tournament.

These conferences and events have raised the country's international profile, generally have had a positive impact on the economy, and have favourably presented 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 to attract an ever-increasing number of tourists.

In the two decades before 1990, South Africa received less than one million annual foreign arrivals. In 2006, the country welcomed 8,5 million international visitors. As part of the growth platform targeted by AsgiSA, tourism has been set steep goals for the next five years: 500 000 new jobs, 8,5 million international arrivals annually, and a contribution to GDP of at least R100 billion a year.

Government has diversified and deepened the country's trading networks, export markets and sources of FDI. In a Unctad study of prospects for FDI outflows for 2005/06, South Africa featured in the top-15 leading sources of FDI. South Africa also heads the list of expected leading sources of FDI to Africa, followed by China, the United Kingdom, India, France, the USA, Malaysia, Italy and Germany.

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 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, 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 has established a number of important S&T projects with strong international participation.

Democratic South Africa has sought to promote international respect for human rights, democracy and good governance. In particular, government is placing 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, AU and SADC.

The area in which 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 Organisation of African Unity 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, as part of the Nepad process, the African Peer Review Mechanism was 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 was among the first countries to be peer reviewed.

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. 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 of 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 Democratic Republic of Congo (DRC), Burundi and Ethiopia/Eritrea, and more recently in Liberia, Sudan and Côte d'Ivoire.

At the end of July 2007, President Thabo Mbeki visited that country for the Symbolic Burning of Weapons Ceremony. The ceremony marked the launch of the disarmament process throughout Côte d'Ivoire.

South African peace initiatives have also seen the DRC adopting a constitution. Two largely peaceful and successful elections were held in Burundi.

South Africa has sought the transformation of North-South relations (particularly in respect of debt relief, market access and fairer terms of trade) while consolidating South-South relations. The latter includes the alignment of co-operation between India, Brazil and South Africa (IBSA).

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 (with half of this amount pledged to Africa) by 2010.

South Africa advocates a system of global governance that is representative, fair, based on international law, and built around the UN. It favours an approach that is more responsive to the needs of our people and to the good of the collective, namely all the UN countries as a whole. South Africa believes that only such an approach will effectively mobilise the international community to tackle the challenges of underdevelopment, global security and the promotion of human rights.

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 (UNSC).

Important developments have taken place in the UN's reform agenda, such as the establishment of the Human-Rights Council and the Peace-building Commission. South Africa was proud to take its place in the new council that met for the first time in June 2006 in Geneva. South Africa has been elected to serve a two-year period as a non-permanent member of the UNSC.

Key challenges of the Second Decade of Freedom

The programmes detailed in the sections above on the different clusters are informed by the challenges for the Second Decade of Freedom, which arise from lessons of the First Decade of Freedom, new challenges created by the process of change and transformation itself, and from the 2004 mandate of the electorate as the Second Decade of Freedom began.

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 the services they need.

Very good progress has been made in economic areas under government control, but this has not been matched in areas where new agencies or partnerships are involved – such as small business, HRD, restructuring of SOEs and empowerment.

Government 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-integrates itself into the global arena. Major social trends of the First Decade of Freedom shape the challenges ahead:

- More and smaller households: From 1996 to 2001, the population grew 11% from 40,4 million to 44,8 million. However, the number of households grew by 30% from 9,7 million to 11,8 million as households became smaller. So, government has to provide additional housing and services to almost three million instead of a million households.
- Bigger economically active population: The population has grown about 2% a year since 1995, but the economically active population grew by 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 grew 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. In this Second Decade of Freedom, the global environment is uncertain, with increasing tension, unilateralism and unresolved international trade issues. However, 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 we need to move to a higher growth and development path.

This requires 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 by 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.