Overview

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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 the people.

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 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.

Within that framework, the South African polity has seen progress in:

- voice and accountability
- political stability
- government effectiveness
- regulatory quality

- integrity and legitimacy of the State and the rule of law
- efforts to expose and deal with corruption.

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 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 72% 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 10 years since 1994, some 60 public entities have been created 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 about 288 983 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.

The introduction of the Public Finance Management Act (PFMA) in 1999 improved accountability in government and to Parliament. Implementation of the PFMA 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 recently approved National Planning Framework has enhanced integration in strategic policy prioritisation and improved policy decisions. This includes the National Spatial Development Perspective (NSDP), which facilitates 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, the

Presidential Co-ordinating Council and the restructured Cabinet committees have all contributed to better co-ordination of policy-making and implementation. Work is continuing to ensure alignment of the major planning tools of government i.e. IDPs, the Provincial Growth and Development Strategy (PGDS), National Planning Framework, Medium Term Expenditure Framework (MTEF) and the NSDP.

In efforts to improve service delivery, 63 Multi-Purpose Community Centres (MPCCs) had been set up by November 2004 to provide information and services to the public. The aim was to establish one per district/metro by the end of the 2004/05 financial year and then expand them to each municipality in the next decade. This is being complemented by the decision taken in 2003 to introduce Community Development Workers (CDWs) to enhance access to the benefits of government's socio-economic programmes. The key function of these multiskilled CDWs is to maintain direct contact with the public. By October 2004, 497 CDWs had been recruited particularly in Urban Renewal and Integrated Sustainable Rural Development Programme nodes. The e-Government Programme will also help improve service to citizens. Phase One of the *Batho Pele* e-Government Gateway was launched in August 2004, with a portal at *www.gov.za* and the call centre number 1020. Nine MPCCs and 55 Citizen Post Offices have so far been linked to the Gateway Portal.

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.

To promote effective implementation of government's Programme of Action, the first phase of a government-wide Monitoring & Evaluation (M&E) System was launched. Government departments report every two months on progress against set deadlines and targets in the Programme. This information is also available online to promote public accountability.

Challenges

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

Over the past 10 years, a major new architecture of institutions has been created for the State, spanning the three spheres of government. Many of government's 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 with regard to 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.

The Review suggests 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. In line with current interventions in the Eastern Cape, 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.

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 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 a 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.

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 (NEDLAC), 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 should seek 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 Gateway as well as further expansion of *Imbizo* as a platform for interaction between government and the people.

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 greatest potential for development and poverty alleviation while rebuilding other areas
- improving the capacity of provincial and local government especially where it impinges on service delivery and financial management
- 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 M&E system.

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.

On average, poor households were living with incomes about 12% below the poverty line, in line with many comparable developing economies.

Apart from not including the impact of the social wage on alleviating asset and human capital poverty, these trends do not reflect developments since 2000, including the further expansion of social grants.

At least two major government programmes address income poverty in the form of income grants and Public Works programmes.

Income grants

Social grants are no longer allocated on a racial basis as they were under Apartheid. Grants are currently 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. Expenditure on these grants increased 3,7-fold between 1994 and 2004 from R10 billion to R37,1 billion, and the number of beneficiaries grew from 2,6 million to 7,9 million in 2004.

Public Works programmes

The Working for Water Programme had spent about R1 billion to date, clearing 1 120 000 hectares (ha) and creating 22 718 jobs. The Landcare Programme had spent R25 million and implemented 23 projects which rehabilitated 48 000 ha and created some 7 000 jobs. In the period before its massive expansion in 2004, the Public Works Programme saw, between 1998 and 2002, a tenfold growth of expenditure from R181 000 to R1 197 million, and employment of 124 808 people.

Asset poverty alleviation

Housing and shelter
Between 1994 and 2003, about 1,985 million subsidies were approved for an expenditure of R24,22 billion between 1994 and 2002. As a result of the housing programme, housing owner-ship increased from 46,5% in 1995 to 69,8% in 2001.

Land
Since 1994, 1,8 million ha of land have been trans-ferred under the redistribution programme to about 137 478 households. By 2002, the cut-off date for claims for restitution, about 69 000 claims had been lodged of which 72% were urban and 28% rural. By March 2004, 48 825 claims had been settled and more than 810 292 ha of land were transferred to beneficiaries. For urban claims, there has mostly been financial compensation for victims of forced removals and the total compensation made as of December 2002 is R1,2 billion. For rural claimants, the restitution mainly takes the form of restoration of land.

Water and sanitation
The proportion of households having access to clean water increased from 60% in 1995 to 85,5% in 2003. By November 2004, 10 million people had, since 1994, gained access to a basic clean water supply. Access to sanitation increased from 49% of households in 1994 to 63% in 2003.

Electrification
By 2001, 70% of households in South Africa had an electrical connection, compared with 32% in 1992. Only 49,1% of households were using electricity for heating purposes in 2001. Among rural households, 52% were receiving electricity in 2001 compared with 80% of urban households.

Transport
Transport subsidies increased from R2,9 billion in 1999/00 to about R3,5 billion in 2002/03, funding 1,8 million bus subsidies and 2,2 million rail com-muter subsidies. Government was expected to spend more than R2,1 billion on bus subsidies in the 2004/05 financial year.

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 spend-ing devoted to PHC had increased from an esti-mated 11% in 1992 to 21%. Expenditure on non-hospital-based PHC grew from R58 per per-son in 1992/93 to R141 per person in 2002/03, and is set to increase to R183 by 2005/06.
- Clinic-Building and Upgrading Programme
  Between 1994 and 2004, over 1 200 new clinics were built. A further 252 clinics underwent major upgrading such as the building of new maternity units, and 2 298 clinics received new equipment and/or underwent minor upgrading. Some 113 'visiting points' were also built. Altogether, 7 200 new permanent posts for nursing staff, 3 800 per-manent cleaning and security posts, and 19 900 temporary construction jobs were created.
- Free healthcare
  The Free Healthcare Policy, which started in 1994 with pregnant and lactating mothers and children under six years, and in 1996 extended to cover all PHC services for everyone in the pub-lic health system, resulted in more outpatient visits. For paediatric cases, attendance increased by 102% and for pregnant women by 29,8%.
- Expanded Programme on Immunisation
  The Expanded Programme on Immunisation pro-vides children with immunisation against such communicable diseases as measles, diphtheria, tetanus, whooping cough, polio and tuberculosis (TB), Hepatitis B and Haemophilus Influenza Type B. Full immunisation coverage at the age of one year has improved from 63% in 1998 to 72% in 2002, thereby contributing to the eradication of polio and the elimination of deaths due to

measles since 1999. The routine coverage for oral polio vaccine grew from 74% in 1998 to 89% in 2003.

- Primary School Nutrition Programme (PSNP)
  The PSNP has achieved 95% coverage of eligible and targeted learners and reached about 4,5 million learners in 2002/03.

- 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 is 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 from 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.

- National TB Control Programme
  In 1995, a revised National TB Control Programme was established, based on the Directly Observed Treatment Short Course (DOTS) Strategy. While improvement rates are not reaching the national target of an 85% cure rate, cure rates in health districts that have adopted the DOTS approach are consistently better than non-DOTS districts for new smear-positive patients. The main problems remain high rates of treatment interruptions and transfers (internal migration). The problem of TB is exacerbated by the development of multi-drug resistance.

- Malaria control
  As a result of the Malaria Control Programme, the number of malaria cases dropped from 64 622 in 2000 to 26 506 in 2001 and 15 619 in 2002. Malaria deaths in 2001 were 74% less than in 2000 and by 2002 numbered 96.

Education

Expenditure on education is the largest single budgetary item in South Africa and increased from about R43 billion to about R70 billion between 1999/00 and 2003/04. This has translated into an increase in mean per learner spending from R1 556 to R3 600 in 2001. There was also a 60% improvement in equity of distribution. The poorest learners in the system have seven times more per-capita public spending than the least poor learners.

With regard to Early Childhood Development participation in the reception year, enrolment increased from about 150 0000 to 280 000 between 1999 and 2002.

Net primary enrolment rates have remained steady at about 95,5% since 1995, and secondary participation rates are currently about 85%, indicating an increase of about 15 percentage points since the early 1990s. The learner-to-facility ratio declined from 43 to 1 in 1996 to 38 to 1 in 2001.

Pass rates in the matric examination increased from 53,4% in 1995 to 61,7% in 2002 and 73,3% in 2003. Tertiary gross enrolment rates in South Africa were about 15,4% in 2002, representing an increase in enrolment by 50% since 1996. Some international comparisons are Finland (84%), Bulgaria (43%), Chile (38%), Malaysia (23%), Cuba (21%), Tunisia (19%), Brazil (15%), Namibia (6%) and Kenya (1%).

General outcomes of education programmes are indicated by an increase in literacy rates from 85,9% in 1996 to 89% in 2001. The percentage of people aged 20 years and above with no schooling declined from 19,3% in 1996 to 17,9% in 2001, while those who had completed matric increased from 16,4% to 20,4%. Higher-education completion was achieved by 2,2% more people in 2001.

Conclusion

The social-sector programmes have helped address the Apartheid legacy of poverty and inequality. But 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.

Economic Cluster

Policy framework

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

The budget deficit has come down from 9,5% of Gross Domestic Product (GDP) (including the deficits of the Bantustans) in 1993 to fractionally over 1% in 2002/03. Total public-sector debt has fallen from over 64% of GDP in 1994 to barely 50% of GDP. The net open forward position of the Reserve Bank fell from $25 billion in 1994 and $22,5 billion in 1998 (the highest level since 1994) to zero in 2003, and foreign reserves rose from one month's import cover to over four month's import cover. Inflation fell from over 15% in the early 1990s to under 1% in 2004 (CPI), and interest rates fell to the lowest level since the early 1980s. 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 fell 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. Since then, the economy has grown at a rate of 2,94% per annum, on average. 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 accord-

ing 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 (6,4%), 365 000 had fixed-term contracts (4,1%) and 62 000 were seasonal (0,7%).

Trade reform, industrial restructuring and industrial policy

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 the 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); is pursuing an FTA with the Latin American members of the MERCOSUR; and is discussing possible bilateral trade agreements with India and China.

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 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) and 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 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 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 Manufacturing Advisory Centre 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.

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 technikons 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, technikon and university programmes need to be effectively geared towards employability and school-goers and school-leavers have not had sufficient guidance regarding practical study and career paths.

Empowerment

The proportion of top managers who are Black 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 a recent estimate of Black equity in public companies indicating 9,4% in 2002, com-

pared 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 the broad-based empowerment programme of government.

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.

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 technicians 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 number 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

The 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 and the interest 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 and these resulted in significant reductions in the levels of crime in those areas in particular.

The Cluster, acting in consultation with the provincial administrations, is planning to profile the priority police stations areas, on the basis of which the relevant developmental projects that should prevent crime would be developed.

The responsibility to implement such projects would rest 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 145 police-station areas that accounted for over 50% of all 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 partnerships with organs of civil society.

Crime trends, 1994/95 – 2003/04

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. Trends for contact crime and property crime follow a similar trend.

Trends for murder consistently decreased from 1998/99 to 2003/04. In the past 10 years, the murder rate has decreased by 36%. Trends for rape have been relatively stable since 1994/95 and decreased moderately from 2002/01 to 2003/04. On the contrary, trends for attempted murder, assault with grievously bodily harm (GBH) and common assault have been steadily increasing.

From 2002/03 to 2003/04, trends for all these crimes decreased. Murder decreased by 9%, attempted murder by 18%, and common assault and assault with GBH by 3% and 4% respectively.

Reported robberies recorded by the police, especially in social-economically depressed areas, have been steadily increasing since 1994/95 though common robberies decreased moderately between 2002/03 and 2003/04. The increase in robbery correlates with a high number of street robberies and muggings recorded by the police in socially depressed areas. On the other hand, high-profile robberies such as car- and truck hijacking, cash-in-transit heists and bank robbery decreased tremendously between 1996/97 and 2003/03. These gains result from collaboration and integrated law-enforcement operations by the JCPS Cluster.

Key areas of interventions

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 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 10 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 in 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.

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 on organised crime, financial crime and corruption. Some 481 prosecutions were finalised, with a 92% average conviction rate.

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 were frozen.

Effectiveness of the criminal justice system (CJS)

To improve effectiveness of the CJS, the Cluster has introduced programmes and projects to fast-track case flow and reduce the number of awaiting-trail 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, the Additional and Saturday Courts have 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 187 065 offenders in correctional service facilities in February 2004, whereas the approved accommodation space was for 113 551 inmates. Of the inmates, 54 750 were awaiting trial and 132 315 had been sentenced.

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

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 in prisons remains a concern. About 11 610 of the awaiting-trial prisoners were children under the age of 20 years and there were about 5 081 sentenced children in prison by the end of February 2004.

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, 1998, its provisions are vague and ambiguous with respect to South Africans who elect to join the national defence forces of foreign countries. Of necessity, such citizens potentially pose a counter-intelligence threat.

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 others, 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 who are 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 past 10 years, South Africa has established itself as a respected partner and force for good within the community of nations and a leading voice in the developing world for a more progressive, people-centred and multilateral rules-based global system. The new foreign policy reflected, as former President Nelson Mandela argued, 'a revolution in the country's international relations'. Given the Apartheid State's isolated and ignominious past, the country's achieve-

ments 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 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 (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 May 2004, South Africa had opened 105 diplomatic Missions abroad, with increased defence and commercial representation. Foreign representation in South Africa by May 2004 included 113 diplomatic Missions, 21 multilateral organisations and non-residential accreditation from 17 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.

International tourist arrivals in South Africa increased from 3 668 956 in 1994 to 6 504 890 in 2003, representing an average annual growth rate of 8%. The number of international airlines servicing South Africa increased from 53 in 1994 to 64 in 2003, with many more flights now scheduled.

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 G-20, 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, the 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.

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 will be peer reviewed in the first quarter of 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-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 (IBSA). A tri-lateral 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 G-8 countries, and a series of confer-

ences examining mutual issues of concern such as sustainable development, AIDS and racism.

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.

Key findings and lessons of the First Decade of Freedom

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

Influence of the State

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. 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 reintegrated in the global arena.
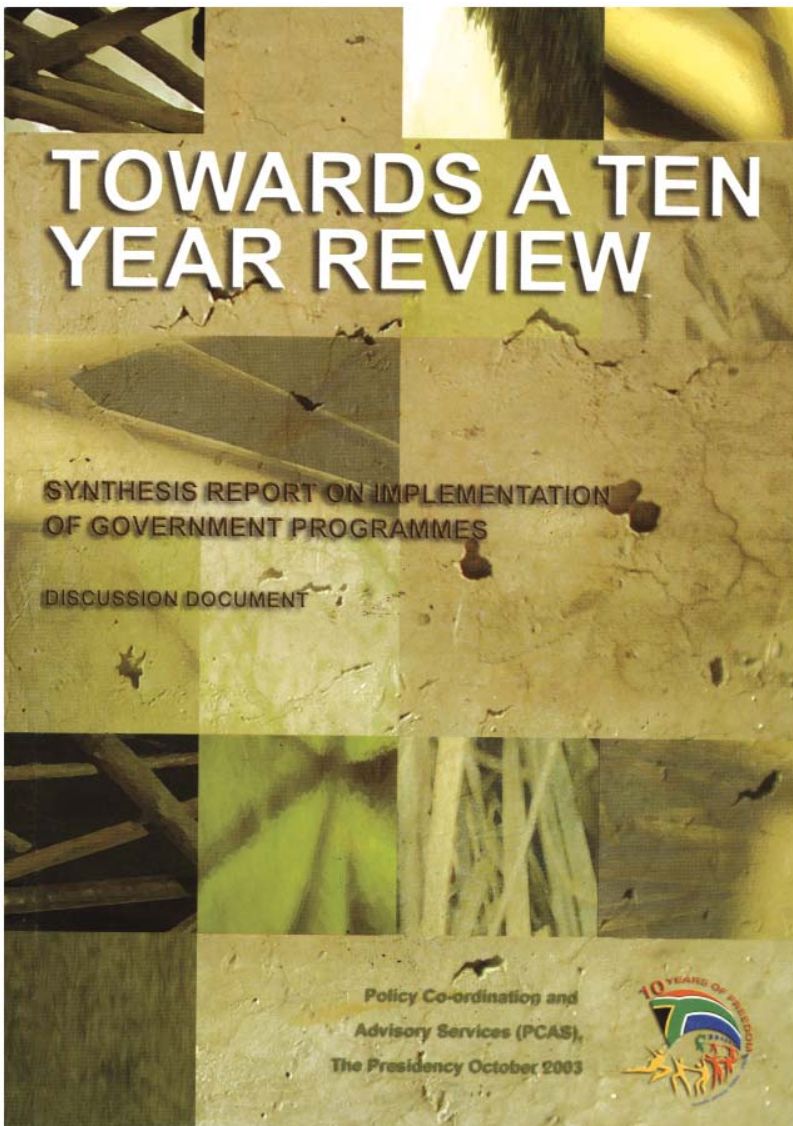
The social transition

Four major social trends of the First Decade 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 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 adds 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.

Acknowledgement