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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
- building the nation.

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

In 2003, government conducted a review of the First Decade of Freedom. *Towards a Ten Year Review* 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 macro-social trends. The report, *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.

Governance and Administration 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.

Achievements

The Public Service Commission released its fifth *Annual State of the Public Service* in May 2006. Overall, it indicated significant progress in establishing the necessary legislative, normative and regulatory framework, as well as sound policies. The challenge is to achieve the systematic and sustained strengthening of the operational capacity of the Public Service to translate these policies into fruitful activities.

Some serious questions of capacity need to be addressed, including the capacity for optimal utilisation of human resources (HR), the capacity for

more consistent policy implementation and the capacity to fully achieve a citizen-centred public service and to improve the management of performance.

Furthermore, to ensure clear line of sight throughout the Public Service, consistent and integrated M&E systems must be put in place.

The integration of Bantustan and central government civil services into an integrated public service has been a success. Plans to create an integrated public service, covering all spheres, including local government, are under way.

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

The introduction of the 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 who have been developed since 1994 are being lost to the private sector.

In the 12 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.

A policy framework on the governance of public entities has been developed and will inform the development of legislation regulating these entities.

The introduction of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999), improved accountability in government and to Parliament. Implementation of the PFMA, 1999 and the change to a medium-term budget cycle have improved budgeting, and national and provincial financial management. The challenge remains to include local government within government's budgeting and planning cycles.

The Municipal Finance Management Act, 2003 (Act 56 of 2003), highlights the importance of building appropriate institutions and capacity, training, guidance and technical support in the initial years.

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.

In relation to capacity and training, work is in progress on a framework of formal qualifications for municipal financial management from entry-level to postgraduate standards. By mid-2006, over 500 graduates were working in over 120 municipalities under the internship programme funded by the Financial Management Grant. Allocations of these grants will go to all 283 municipalities over the Medium Term Expenditure Framework (MTEF) period ahead, contributing to

meeting specific capacity-building needs in each local authority, while also supporting a coherent national programme of financial-systems development, implementation, training, and M&E.

The national planning framework is a government tool that ensures that the strategic priorities of government are held in view by all three spheres and public entities. The review of the national planning framework was presented to the Cabinet Lekgotla in July 2005. The reviewed framework clarifies the alignment of fiscal, strategic and political cycles of government.

The National Spatial Development Perspective (NSDP) was developed to facilitate dialogue between and within spheres about the country's spatial priorities for infrastructure investment and development spending. The introduction of integrated development plans (IDPs), as well as the cluster approach, the Forum of South African Directors-General (Fosad), the Presidential Co-ordinating Council and the restructured Cabinet committees are all contributing to better co-ordination of policy-making and implementation.

The Presidency is leading the alignment of the NSDP, provincial growth and development strategies (PGDS) and IDPs. Guidelines for the formulation and implementation of PGDS are being used to assess all PGDS through a self- and peer-review mechanism. Through this process, municipalities should have clearer direction in respect of economic development and spatial restructuring of their areas.

All provinces have been consulted on taking PGDS assessments forward. An initial group of pilot areas has been selected and a conceptual framework for contextualising the NSDP has been developed. A national workshop with all provinces and districts was held to discuss and launch the NSDP process at district/metro levels.

In an effort to improve service delivery, Thusong Service Centres (former multi-purpose community centres) have been set up to provide information and services to the public. By October 2006, there were 88 operational Thusong Service Centres. Research completed during 2006 at these centres on their impact and functioning informs improvements and the strategic priorities for a second phase of the programme which envisages each local municipality having at least one centre by 2014.

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 community and development organisations. In May 2006, the Gateway (*www.gov.za*) Portal went live on a more robust platform, also accommodating provincial and local government-services information. By July 2006, the content was available in isiZulu, isiXhosa, Afrikaans, Sesotho, Setswana and Sesotho sa Leboa, and translation of the remaining official languages was expected to be completed by the end of 2006/07.

Complementing these measures to make government information and services more accessible is the introduction of a new echelon in the Public Service, namely that of CDWs. The decision to introduce CDWs was taken in 2003, as a measure to enhance access to government's socio-economic programmes. By August 2006, some 3 000 CDWs had been deployed as full-time public servants. Another 1 000 candidates were expected to be recruited to undergo the year-long learnership programme. Though challenges abound, the action research commissioned by the South African Management Development Institute on behalf of the Ministry of Public Service and Administration, indicates that substantial progress has been made.

Public reaction to government's high-profile commitment to fight corruption has been positive. At national level, the National Anti-Corruption Forum (NACF) has developed and adopted the National Anti-Corruption Programme coming out of the second National Anti-Corruption Summit in March 2005. Resolutions informing the programme pertain to ethics, awareness, prevention, combating, oversight, transparency and accountability. Government has made R7,7 million available for its implementation. The NACF is assuming the responsibility of driving the national anti-corruption programme. This programme is a tangible example of co-operation between the governmental and non-governmental sectors, and reflects the commitment of the leaders of these sectors to fight corruption.

The first project of the programme focusing on the Prevention and Combating of Corrupt Activities

Act, 2004 (Act 12 of 2004), has been completed. The project has developed guidelines on the Act for citizens and public and business managers.

In April 2007, South Africa will host Global Forum V on Fighting Corruption and Safeguarding Integrity. This event will bring together 1 500 government leaders and representatives from international organisations and civil society. The forum will provide for the exchange of information and best practice in fighting corruption, It will offer Africa and South Africa an opportunity to showcase their anti-corruption gains.

Programme of Action

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 and, since January 2006, premiers of provinces, as well as senior officials.

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

Reflecting the emphasis 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; as well as 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 and its development and implementation are under way. The Public Management Watch has also been approved by Cabinet and its implementation has

commenced. This is an early warning system based on HR and financial information relating to government departments.

Challenges

A major challenge arising from the *Ten Year Review* and government's mandate is the need for improved performance by the State to achieve policy objectives.

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.

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

In May 2006, Cabinet approved recommendations on a single public service and agreed that the legislative framework to enable its establishment should be finalised by the end of 2006, for public comment.

The *Ten Year Review* suggested that the capacity and performance of all spheres of the State need to be more critically assessed, and that national or provincial government may need to intervene much more quickly where there is evidence of poor performance. 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.

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 was done with the introduction of the National Social Security Agency.

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

In this context, Project Consolidate, initiated in 2004, is a national two-year programme of hands-on support and capacity-building, which has identified 136 municipalities in need of assistance. This kind of assistance is being institutionalised as an ongoing function of national and provincial government.

Government also prioritises the further participation and interaction of the public with the State. Since 1994, many new opportunities have been provided for ordinary people to become involved in governance, ranging from ward committee to the IDP process, chapter 9 institutions, the National Economic Development and Labour Council, and the management of pension funds and workplace fora.

Yet, actual participation in such structures and/or the capacity to take advantage of their existence has been limited mainly to interest groups, or hindered by considerations of short-term self-interest. Government promotes new ways of encouraging ordinary people to utilise their freedom.

Related to this are the initiatives pertaining to CDWs, M&E, massive expansion of the Thusong Service Centre Project and the Batho Pele Gateway, and the imbizo programme.

In line with the principles of participatory governance, government has promoted the integration of platforms of interactive governance, including imbizo, with municipal processes.

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 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
- 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.

Two years into the Second Decade of Freedom, good progress is being made in meeting these challenges, in the ways indicated above.

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*).

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 is due to large-sized poor households unbundling into smaller households. The unbundling has the effect of removing additional income earners from the household, and therefore reflects an increasing number of households being classified as poor.

According to a report of the University of South Africa's Bureau of Market Research, *National Personal Income of South Africans by Population Group, Income Group, Life Stage and Lifeplane 1960 – 2007*, in 2001, 4,1 million out of 11,2 million households in South Africa lived on an income of R9 600 and less per year. This decreased to 3,6 million households in 2004, even after taking into account the negative effect of price increases on spending power.

On the other hand, the number of households receiving a real income of R153 601 and more per year rose from 721 000 in 1998 to more than 1,2 million in 2004.

Research by the South African Advertising Research Foundation shows that between 1998 and 2004, more than two million people moved out of the poorer end of the scale of living standards measures (LSMs), which ranks the poorest at one and the richest at 10.

- In 1998, the poorest four categories represented 48% of the population. In 2004, the figure had dropped to 42%.
- LSM 5 grew by 1,4 million adults, with virtually all the newcomers moving up from poor groups.
- LSM 6 grew by 1,6 million adults, including those who had moved up from LSM 5.

At least two major government programmes address income poverty in the form of direct

transfers and public works programmes. This excludes the social wage, which was estimated at R88 billion in 2003.

Income grants

Social grants are no longer allocated on a racial basis as they were under apartheid. Grants are targeted at, among others, pensioners, poor families with children, war veterans and families taking care of children and people in need. Income support to vulnerable households through social security and social-assistance grants has been the fastest-growing category of government expenditure since 2001, and in 2005 amounted to R70 billion a year and 3,4% of gross domestic product (GDP). Social grants contribute more than half of the income of the poorest 20% of households, and doubled in real terms between 2000 and 2005.

By May 2006, more than seven million children received the Child Support Grant (CSG), while more than 330 000 children received foster care grants.

The target set by government for extending the CSG to children under 14 years was 3,2 million children by the end of March 2006.

By July 2006, over 3,4 million children were receiving the grant. In the age cohort seven, eight, nine and 10 years, the targets had been exceeded. In the age category 11 to 14 years, there was still a shortfall of 119 000 children who needed to be registered. The 1,2-million target for 11 to 14 years was expected to be reached by the end of 2006/07.

In 2006, there were almost 1,3 million beneficiaries of the Disability Grant, while more than two million people received the Old-Age Grant.

Public works programmes

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

The EPWP is on course to reach its target of one million job opportunities in five years. By June 2006, the EPWP had surpassed its employment-creation targets across four sectors, with more than 301 000 work opportunities created. On average, 52% of the beneficiaries were female and 38% youth. KwaZulu-Natal had the highest number of job opportunities created, with 66 317 beneficiaries, of which 33% were youth and 0,3% were disabled.

This province also had the highest number of female beneficiaries in the whole country at 62%, as well as the highest wage payout of R126 million.

At 51%, Mpumalanga recorded the highest number of youth employed in the EPWP that far. This was followed by the Free State at 48%, Gauteng (46%), North West (44%) and the Western Cape (40%).

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.

Asset-poverty alleviation

Housing and shelter

Between 1994 and June 2006, 2 881 379 subsidies were approved. As a result of the housing programme, housing beneficiaries increased from 325 086 to 1,8 million beneficiaries in 2006.

Land

By the 31 December 1998 cut-off date, 79 696 land claims had been lodged with the Land Claims Commission. Of these, 71 645 had been settled by May 2006. Of the 8 107 remaining claims, 6 975 are rural, while 1 132 are urban claims. Just over R6,1 billion had been awarded to beneficiaries who opted for financial compensation, benefiting a total of 986 981 beneficiaries and 194 487 households.

The total cost to the Department of Land Affairs to purchase and restore land to claimants in this period amounted to R2,4 billion.

Water and sanitation

The backlog of sanitation in schools was reduced from 4 300 schools needing sanitation in September 2004 to 2 118 in March 2006. Government targeted 2 117 schools to be provided with sanitation in 2006/07. By June 2006, 300 clinics still lacked sanitation facilities.

By June 2006, 85% of all poor households – housing about 19,2 million of the country's 22,4 million poor – were receiving their water free of charge.

It is estimated that by 2008, the entire water-supply backlog will have been eradicated, and by 2010, so will that of sanitation.

Electrification

A key objective is the electrification of all households, and the provision of free basic electricity to poor households. The electrification programme has seen 3,5 million homes electrified since 1994. This translates into over 435 000 homes being electrified per year on average. In line with the Integrated National Electrification Programme, government has established the Free Basic Electricity Programme where people earning below a certain income bracket receive a free monthly allocation of 50 kWh.

Human-capital poverty alleviation

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

Primary healthcare (PHC) and infrastructure

Between 1994 and 2005, more than 1 300 clinics were built or upgraded, 2 300 had seen new equipment installed, childhood immunisation programmes were extended, and health services received 101 million patient visits a year – about eight or nine visits per family. Over the MTEF period ahead, 46 hospitals will undergo physical rehabilitation and administrative upgrades as part of the nationally co-ordinated Hospital Revitalisation Programme.

Free healthcare

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

Expanded Programme on Immunisation

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

The set routine immunisation coverage target for fully immunised children under one year is 90%. By

mid-2006, the overall routine immunisation coverage for South Africa was more than 80%.

National School Nutrition Programme (NSNP)

The NSNP provides school meals for children to enhance active learning capacities and to improve attendance patterns at targeted schools. In 2006/07, government planned to provide meals to about 5,5 million learners at 17 000 schools and the grant increased to around R1,1 billion, a 20,4% increase over 2005.

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

HIV and AIDS

The response to HIV, AIDS and sexually transmitted infections was fairly limited before 1994, and focused predominantly on the provision of condoms and information, education and communication. Expenditure on dedicated programmes for HIV and AIDS within provincial health budgets grew strongly from R330 million in 2002/03 to R1,7 billion in 2005/06 and is projected to increase to R2,4 billion by 2008/09.

By September 2006, good progress had been made in the various aspects of government's Comprehensive Plan for the Management, Care and Treatment of HIV and AIDS:

- each of the 53 health districts in the country had at least one service point providing comprehensive HIV- and AIDS-related services, including antiretroviral treatment (ART), from prevention to terminal palliative care
- 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.

By the end of September 2006, over 213 000 patients had been initiated for public sector ART. In addition, some 90 000 to 100 000 had been initiated for ART in the private sector or in foreign-aid programmes.

By September 2006, 273 facilities were implementing the comprehensive plan across all districts. Forty-three CD4-count, 11 viral load and seven PCR machines were operational in laboratories across the country.

National Tuberculosis Control Programme

In 2005, South Africa had about 300 000 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 for treating every patient with ordinary TB. When these patients default treatment and, as often happens, develop a multidrug resistant TB, the cost of treatment dramatically increases to R24 000, including hospitalisation and more expensive drugs.

In order 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 eThekweni Metro. Government has also selected KwaZulu-Natal and Eastern Cape as provincial focus areas for enhanced interventions against TB.

The key elements of the plan focus on strengthening TB service-delivery systems and processes, and intensive communication and social mobilisation. The goal is to ensure that every TB patient is detected and supported during the entire period of at least six months while on TB treatment to ensure that they get cured.

Some R36 million will be spent to ensure that the TB Crisis Management Plan is successfully implemented and that the tide of TB is reversed.

Malaria control

The prevalence of malaria has been 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.

Coverage with indoor residual spraying increased to 83% in 2004/05 and was set to reach 90% in 2006/07. Between 2004 and 2005, there was a 46% reduction in the number of malaria cases and a 38% reduction in the number of deaths.

Education

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

Progress has been made in school enrolment with 64 467 classrooms being built between 1996 and 2006. A total of 114 000 study awards were made by the National Student Financial Aid Scheme in 2005, and by early 2006, 207 497 young people had registered for learnerships since the introduction of the skills-development programme.

The 2005 Education Amendment Bill became law in January 2006 but it takes legal effect in regard to no-fee schools in 2007. However, funds were provided for increased allocations to schools in 2006. Government set a target of 20% of learners for 2006 and 40% in 2007.

By June 2006, it had exceeded this target – out of a total of 9,5 million pupils in seven provinces, three million pupils at 9 215 primary and secondary schools were attending newly declared no-fee schools. Over five million children were expected to benefit from the country's no-fee school policy in 2007.

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 Further Education and Training (FET), institutional reform has been achieved with the formation of 50 FET colleges from 152 technical colleges, and 21 HE institutions from 36 universities and universities of technology, some of which bring together historically black and historically white institutions.

Government has committed R2 billion for the systematic modernising and development 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 Joint Initiative for Priority Skills Acquisition (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.

Education interventions over the past decade have contributed towards a matric pass rate of around 70%. In 2005, the pass rate was 68,3% with 16 500 more learners passing than in 2004.

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

Government is to roll out a R6,1-billion literacy campaign over the next five years, targeting 4,7 million South Africans who were denied access to education and training under apartheid.

Conclusion

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 macro-social 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. These are:

- 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 in three-year intervals.

In addition, campaigns to reduce non-communicable and communicable diseases as well as non-natural causes of death continue, through the promotion of healthy lifestyles and increased focus on TB, AIDS, malaria, cholera and other water-borne diseases, and 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 greater 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 2006/07 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 macro-social report, Cabinet has approved the development of a macro-social 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

Policy framework

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

were to build the economy, meet basic needs, democratise the State and society, develop 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. In the same year, elements of the Microeconomic Reform Strategy were introduced, and were formalised in Cabinet in early 2002.

The Accelerated and Shared Growth Initiative for South Africa (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 and level 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 R410 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, 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.

Macroeconomic stability

Growth averaged about 3% during the First Decade of Freedom, from 1994 to 2004, which was a considerable improvement on the decade before 1994 when growth averaged 1% per year. Since 2004, growth has exceeded 4% per year, reaching about 5% in 2005. Expectations for the current strong performance to continue are high – forecasts by banks and ratings agencies generally indicate expectations of growth continuing at around 4,5% in the medium term. Business confidence is very high. The Bureau for Economic Research Business Confidence Index, with 86% of firms expecting the continuation of improving business conditions, has remained at historically high levels for an extended period. Consumer confidence has also been at very high levels.

Investment

Inflows of foreign capital have been exceptionally high since 2003, with an inflow of over R120 billion (about US\$18,5 billion) into the Johannesburg Securities Exchange (JSE) Limited share market between the beginning of 2005 and the first quarter of 2006. In the same period, South Africa also had several large inward foreign direct investment (FDI) transactions.

Growth and wealth

On average, per-capita growth was negative in the decade before 1994. Per-capita income growth improved to slightly over 1% per year between 1994 and 2003. Since 2004, growth has averaged 4,5%, which amounts to a roughly 3% annual improvement in per-capita income. Taking into account the fact South Africa is a middle-income country with an average per-capita income several times higher than China or India, this is a reasonably positive performance. Growth is forecast to rise to over 5% in the years commencing 2009.

Employment

With faster growth comes rapidly improving employment creation. More than one million net new jobs have been created over the past three years, and in the last year up to March 2006, around 540 000 net new jobs were created. Though unemployment remains high at over 26%, this is considerably better than the 32% unemployment

rate reached a few years ago. Recent research indicates that the real incomes of the poorest 20% of South Africans rose by 30% in real terms between 1994 and 2004.

Government is committed to reducing unemployment to below 15% by 2014, and to halving the poverty rate to less than one-sixth of households by then.

Trade reform, industrial restructuring and industrial policy

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 World Trade Organisation (WTO); has entered free-trade talks with the United States of America (USA); signed an FTA in December 2004 with the Latin American members of the Mercosur; and is discussing possible bilateral trade agreements with India and China. It has 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. The strategy for a third sector, biofuels, was being finalised in 2006. 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.

BPO has the potential for 100 000 additional direct and indirect jobs by 2009. Government and business have a joint project, supported by the Business Trust, 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 other high immediate-priority sector is tourism. This sector has already grown rapidly in South Africa but is ready for a second phase of growth that could take its contribution to GDP from about 8% to about 12%, and increase employment by up to 400 000 people.

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 Africa 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.

State enterprise restructuring

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 R410 billion.

Of this, about 40% will be spent by public enterprises, mostly Eskom (R84 billion) and

Transnet (R47 billion, of which R40 billion is 'core'), and 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 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.

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 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. An amnesty to encourage delinquent small firms to enter the tax system was launched in early 2005 and expired in May 2006.

Competition

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

Small, medium and micro business-sector development

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 its contribution is growing steadily.

South Africa is alive to the challenge of increasing the contribution of small businesses to output and employment.

To address the challenges of SMME development, Ntsika and the National Manufacturing Advisory Centre have been merged into the Small Enterprise Development Agency. Government is developing a strategy for better integrated, more efficient and more extensive service delivery to small businesses.

Skills development

For both the public infrastructure and private investment programmes, the single greatest impediment is shortage of skills – including professional skills 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
- 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
- a huge upgrading of FET colleges.

The Adult Basic and Education Training programme is to be ramped up, based on a model developed in Cuba and New Zealand.

Apart from interventions to address the skills challenge in the educational sphere, measures include the development of an Employment Services System (to close the gap between potential employers and employees), and Phase 2 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 instance of this 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.

A new institution is the Jipsa. It is led by a committee of the Deputy President, key ministers, business leaders, trade unionists and education-and-training providers or 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.

Empowerment

From the *2005/06 Employment Equity Report*, blacks (broadly defined) account for 27,2% and whites for 72,6% of all top management positions. Females

account for 16,5% and males for 83,3% of all top management positions. In terms of senior management, blacks account for 27,5% and whites 72,4% with females at 23,65% and males at 76,35%. For professionals and middle management, the numbers are black 38,7% and whites 61,3% with females at 32,7% and males at 67,3%.

By September 2004, of a total of 2 701 board positions within JSE-listed companies, 435 or 16,1% were held by black people. In 2003, there were 432 black people on JSE boards, representing just over 17% of total directors.

The progress of women in the workplace has been equally slow. The 2006 South African Women in Corporate Leadership census shows that, based on information submitted by respondent companies, 16,8% of executive management positions were held by women in 2006, compared with 19,8% in the previous year. The decline is significant given the substantial increase in the overall number of executive management positions (from 5 558 in the 2005 census to 7 890 in the 2006 census).

The latest results highlight the huge amount of work that 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 both men and women have equal participation in the economy.

Just less than a third of members of parliament are women; and South Africa prides itself on having a Cabinet consisting of 43% of women representation. Four of the nine provinces are led by female premiers, while parliament has more than 30% female representation. This representation is gradually being translated to local government as well, where, although aiming for a 50/50 representation, it stands at around 40%. Three metros are led by women as mayors, while there are a number of female district mayors.

This has contributed to ensuring access and substantive participation of women in decision-making processes at the highest level. Access and participation of a large number of women in parliament is an achievement that puts South Africa at number 10 out of the 130 parliaments in the world in terms of women's advancement in governance.

The National Advisory Council advises the Minister of Trade and Industry on the implementation of

BBBEE strategy and legislation. By mid-2006, more than 30 transformation charters were being negotiated or were completed throughout the economy. These charters reflect the high level of support that BEE receives in both the private and public sectors of the economy.

Innovation and research and development

Government's intermediate goal is to dedicate 1% of GDP to R&D by 2008. Indications are that national expenditure on R&D, which had declined by 1994 to 0,69% of GDP, has now begun to pick up significantly. In 2003/04, South Africa's public and private expenditure on R&D was 0,81% of GDP.

Over the MTEF, government funding for R&D increased by R1,2 billion. This increase largely funds core science and technology (S&T) infrastructure, such as the Centre for High Performance Computing, nanotechnology centres, astronomy and space science.

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 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.

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

Conclusion

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.

Reducing crime

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 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 has achieved a 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.

Crime trends, 2004/05 – 2005/06

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

The latest crime figures were released in September 2006. All eight contact crimes decreased during the last financial year, with four of the eight categories showing significant decreases. Common robbery decreased by 18,3%, attempted murder by 16,6%, common assault by 15,6% and serious and violent assault by 9,6%.

The decrease by 6,2% of robbery with aggravating circumstances is also encouraging and is an improvement on the previous year's decrease of 5,5%.

Two subcategories of robbery with aggravating circumstances have shown an increase and are cause for concern – car hijackings increased by 3,1% from the previous financial year and cash-in-transit heists increased by 74,1%.

Although murder decreased by 2%, rape by 1% and indecent assault by 3,8%, those contact crimes remain a cause for concern. Over the past 11 years, there has been an overall downward trend in the murder rate.

Despite the changes for the better, there are challenges that still remain in other categories of crime prevention and combating programmes. Alcohol and drug abuse continue to be a problem as generators of crime. Drug-related crimes increased by 13,2%, while instances of driving under the influence of alcohol or drugs increased by 9,9%.

Key areas of intervention

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.

Sexual offences and domestic violence

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

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

Dealing with illegal firearms

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), are intended to assist the South African Police Service (SAPS) in preventing the proliferation of illegal firearms and in removing them from society, as well as to control legally owned firearms.

Between 1 April 2003 and 31 March 2006, the SAPS collected 187 772 firearms in South Africa.

Organised crime

The fight against organised crime was enhanced by the establishment of the Directorate: Special Operations (DSO), 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.

Between 2001/02 and 2003/04, the SAPS identified and infiltrated 341 organised-crime groups. Some 977 syndicate leaders and 5 034 syndicate members were arrested. In the same period, the DSO finalised 505 investigations into organised crime, financial crime and corruption.

Some 481 prosecutions were finalised, with a 92% average conviction rate.

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

The specialised commercial-crime courts yielded an average conviction rate of 95% between April 2003 and March 2004.

Effectiveness of the criminal justice system (CJS)

To improve the effectiveness of the CJS, the cluster has introduced programmes and projects to fast-track case flow and reduce the number of awaiting-trial prisoners and prison overcrowding. These interventions include the establishment of:

- integrated justice system (IJS) court centres
- specialised commercial crime courts
- community courts.

In 2005/06, the National Prosecuting Authority attained its target of finalising 5% more cases than in the previous financial year. The number of cases that were diverted from the CJS more than doubled, from an average of 1 208 cases diverted per month in 2004, to an average of 2 800 cases per month in 2005. This implementation of the diversion programme saw a total of 89 425 children avoiding the punitive justice system from 1999 to 2006. This is line with government's efforts to provide a more caring and humane justice system for children in conflict with the law.

The lower courts attained a conviction rate of 85% in 2005/06, thus attaining the target in district courts. A higher percentage of cases in the district courts were dealt with within a period of six months. The case cycle times in the lower courts have increased from 17% to 19% of cases older than the target, showing that there is still room for improvement.

A total of 935 commercial crime trials were finalised with a conviction rate of 94,22%, and with some courts averaging more than six hours per day.

In the past six years, more than R1 billion from the proceeds of crime was frozen, and nearly R100 million was paid into the Criminal Assets Recovery Account.

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. The management of the special remission of sentences registered a significant impact on overcrowding as it declined between June and August 2005 by over 31 000 sentenced offenders, from 187 000 to just over 156 000. It also achieved over R70 million of savings in running costs. By mid-2006, with an offender population of 158 032, prisons were overpopulated by more than 50 000 inmates.

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 the introduction of additional and Saturday courts.

The number of children and juveniles awaiting trial declined from more than 1 700 in December 2004 to 1 277 in December 2005. By the end of July 2005, there were about 1 244 unsentenced children detainees and 1 000 sentenced children detainees aged between seven and 17 years. In the same period, there were 8 932 unsentenced and 9 275 sentenced detainees aged between 18 and 25 years. The Department of Correctional Services has instructed all regions to conduct an audit of children in correctional centres, with the intention of engaging partners in the JCPS Cluster and social development in seeking alternative accommodation for these young people who have found themselves in conflict with the law. It has identified several places of safety for young offenders with the Department of Social Development. The department has also designed intervention programmes for the development, care and correction of offending behaviour and the reintegration of offenders into society.

National security

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 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 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, 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 S&T
- to promote international respect for human rights and democracy
- to contribute towards and support initiatives for international peace, security and stability, as well as post-conflict reconstruction (including international crime prevention and management)
- to prioritise the interests and development of Africa in international affairs
- to promote the agenda of the South through South-South co-operation and North-South partnerships
- to support a strong, effective and equitable multilateral rules-based global order that promotes and protects the interests of developing countries.

International normalisation

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

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 (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 fora, 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.

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 2005, the country welcomed 7,3 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.

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. In an 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 (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 has established a number of important S&T projects with strong international participation.

Promotion of international respect for human rights and democracy

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

Commitment to peace, stability and development in Africa

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 is 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 and Sudan. South Africa continues to play a role as mediator in the conflict among the warring factions in the Côte d'Ivoire. South African peace initiatives have seen the adoption of a constitution in the DRC. A South African observer mission was deployed to observe the July 2006 elections in the DRC, following an invitation by the Independent Electoral Commission of the DRC. The elections involved the largest air operation ever carried out on the African continent. This includes air operations conducted during World War 2. In the first round of the elections, the South African Air Force flew 67 flights to carry 1 921 tons of election material in 4 732 freight pallets. This cargo was transported firstly to three hubs in the DRC and then on to 14 main centres, which then delivered the material to 53 000 voting stations in the DRC.

Two largely peaceful and successful elections were held in Burundi.

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

South Africa has sought the transformation of North-South relations (particularly with respect to debt relief, market access and fairer terms of trade) while consolidating South-South relations. The latter includes 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. In September 2006, President Thabo Mbeki led a senior South African delegation to the inaugural

session heads of state/government summit of the historic and strategic IBSA Forum in Brasilia, Brazil.

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.

Commitment to multilateralism and international law

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 under-development, 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.

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 UN Security Council.

The year 2006 also saw South Africa's assumption of the chair of the G77.

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.

Lessons of the First Decade of Freedom

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

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

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

Very good progress has been made in economic areas under government control, but this has not been matched in areas where new agencies or partnerships are involved – such as small business, HR development, 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-integrated in the global arena.

The social transition

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

More and smaller households

From 1996 to 2001, the 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 one 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.

The global setting

In this 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 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 partner-ship 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.