

TOWARDS A TEN YEAR REVIEW

SYNTHESIS REPORT ON IMPLEMENTATION
OF GOVERNMENT PROGRAMMES

DISCUSSION DOCUMENT

Policy Co-ordination and
Advisory Services (PCAS),
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1 Preface

The attainment of democracy in 1994 presented government with twin challenges: significant institutional transformation and at the same time introducing new policies in line with the democratic Constitution. Secondly, the Government had to deal with the legacy of Apartheid within South Africa, whilst at the same time facing new challenges of integrating the country in a rapidly changing global environment.

Since 1994, the State has deliberately set out systematically and deliberately to dismantle Apartheid social relations and create a democratic society based on the principles of equity, non-racialism and non-sexism.

In line with the prescripts of the new Constitution, new policies and programmes have been put in place to dramatically improve the quality of life of all the people. Key to this programme of action has been the extension of universal franchise and the creation of a democratic state. This has created the requisite environment for the country to address poverty and

inequality, and to restore the dignity of citizens.

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

In the elaboration of government policy since 1994, the RDP objectives have been elaborated upon to include more specific priorities of different clusters and departments. After 1999, the policy objectives of government were consolidated into the priorities of the five Cabinet clusters (see Annexure I).

The Towards a Ten Year Review was overseen by a steering group of Ministers and received inputs from individual departments in government. The project outputs were reviewed by the Directors-general (DG) clusters.

The Review is organised on comprehensive research conducted within and outside of government, and attempts to evaluate the extent to which government has achieved its objectives in the past decade. More modestly, it explores the possible policy permutations for the next decade in the context of the imperatives of the Constitution and the challenges of reconstruction and development.

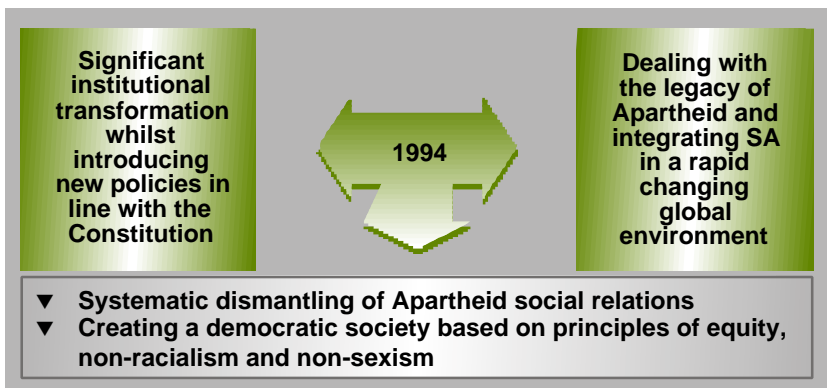
The Review primarily reflects on government's performance in realising its objectives and does not seek to examine in detail the evolution of various sectors of society in the period under review. It is expected that organisations in the areas of sport, the arts and culture, universities, professionals and the intelligentsia, trade

unions, non-governmental organisations (NGO's) and community-based organisations (CBO's) and the private sector will conduct their own assessments which, together with this Review, will help inform the nation's evaluation of itself in the First Decade of Freedom.

Such an evaluation will be an on-going process, which will achieve definitive conclusions only after data on the whole of the Decade is available, which in turn will be after the Decade has expired in April 2004.

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2 Introduction

Two overall questions were posed by the Ten Year Review:

1. Has the Government achieved its policy objectives?
2. Are these the appropriate objectives?

Answers to these questions are covered in the themes discussed in the next section. The project team adopted a research strategy based on key human development indicators and a conceptual framework on the nature of the State.

2.1 Research strategy

The research strategy entailed a four-stage process:

1. A set of 35 overview papers was commissioned from government officials and other researchers to cover the key questions raised in the five clusters. The overview papers sought to indicate potential avenues for further research and identify the proposed research strategy and data sources for such research.
2. In parallel with the first process, departments in each cluster were asked to review Government's performance in the first ten years. Follow-up interviews were also conducted in some cases. These departmental submissions have been integrated into interim cluster-based reports and the two processes informed the presentation at the January *Lekgotla*.
3. A 'gap analysis' was conducted on the information acquired, and on this basis, detailed research terms of reference were compiled. Twenty-five research projects of different scales were pursued in order to address specific information gaps, improve data-sets and seek to understand the impact of government programmes through both quantitative and qualitative analysis.
4. The combined results of the overview papers, departmental reviews and in-depth research have been compiled into five cluster reports. In some instances, clusters constituted their own task teams to work on these reports, whilst in other

cases, the clusters have commented on reports developed by the PCAS in the Presidency.

2.2 The Human Development Indicators

The most direct way to assess government's performance over the past decade is to measure the impact of its policies and programmes. However simple this may seem, it is difficult to agree on the measures for impact. In the course of the project, a range of institutions (Statistics South Africa, Human Sciences Research Council (HSRC), United Nations Development Programme (UNDP), School of Public Management & Planning, University of Stellenbosch and Institute of Social & Economic Research, Rhodes University) as well as officials in the PCAS and other departments sought to define the appropriate set of indicators that could be used to measure impact. An earlier version of the indicators was endorsed at the January *Lekgotla* (Annexure II) and where data is available, these indicators have been included in the cluster reports (and summarised in the themes below). Where data does not exist, the

measure may be defined for purposes of future reference, and in other cases, a proxy measure is used.

The work of defining impact indicators however highlighted a more complex set of questions. Even if an indicator could be agreed and measured, it cannot always be linked to outputs. Another problem with measuring impact is that not all social phenomena are directly measurable. In some cases, data does not exist because it is not collected (in these instances it may still be useful to define the measure and then make arrangements for data collection in the future), whilst in other cases, a proxy measure is used. Further, given the slow rate of social, political, economic and environmental change as a general phenomenon in all countries, the impact of policies implemented in the past nine years cannot in all instances be properly assessed at this stage.

One way to overcome these problems is to use composite indicators of impact to show how government has affected the lives of the South African population. When appropriate direct measures of change are

not available, composite indicators can be designed to capture particular dimensions of change. They are able to do this because they can reflect diverging or contradictory trends, yet show the direction and extent of change. They are also robust in that the measures are as simple and as transparent as possible and the indices are not sensitive to small changes in trends or in definitions. Trends can therefore be captured by proxy measures because most impacts are not directly available for measurement. The use of proxy measurements also means that one measure can describe a more complex phenomenon because it is correlated with other aspects which may not be as easily measured.

For the analysis of impact, the Review makes use of seven composite indexes developed by the HSRC and based on data provided by Statistics SA (see Annexure III for further discussion of these indicators). These indexes cover the following social, economic and political impacts:

- Infrastructure – to measure the impact of housing, water and sanitation, communications and

electrification infrastructure

- Quality of life – to measure broader environmental impacts arising from health, education and environmental policies
- Political participation – to measure trust people have in the institutions of the State, the quality of civil society organisation and active participation in politics
- Economic participation – to measure the quality of work and poverty-alleviation policies
- Economic preparedness – to measure the capabilities of the citizenry to improve their employability
- Safety and security – to measure the extent to which the criminal justice system protects individuals from crime
- Social inclusion – to measure membership of cultural organisations, the stability of households, and the way in which individuals include themselves in the community.

In the individual themes, a range of other measures is used. These include the indices in Annexure II as well as measures that are used by the clusters or departments to assess their own progress.

2.3 What the democratic State inherited

Some of the details of the Apartheid policy, which sought the exclusion of the majority from full participation in all aspects of South African society, had begun to crumble by the late 1980s. However in 1994, the essence of Apartheid remained, with blacks denied the franchise, society divided along racial lines and the social exclusion and neglect of the majority a matter of State policy.

Government programmes perpetuated a strict racial hierarchy with the greatest allocation going to whites, and Africans receiving the least. It was only after 1994 that social transfers were completely de-racialised in line with actual need. Socially, the late 1980s saw a major phase of urban migration as influx control collapsed, giving rise to large-scale informal settlements without services.

Economically, the country was isolated through sanctions and the resultant import-substitution industrialisation meant that many firms were unable to compete in global markets. In the decade preceding

1994, growth declined to below 1% per annum and by the early 1990's economic growth had come to a standstill with the 1992 recession and drought. Public sector debt was ballooning out of control as the Apartheid regime sought to buy support. The country was also isolated diplomatically and excluded from almost all multilateral institutions. Sanctions busting and illicit capital export were the stock-in-trade.

The police and justice system violated most human and civil rights and was primarily used to defend Apartheid. The Defence Force was engaged primarily in a low-intensity war against the liberation movement domestically and abroad. Up until after the 1994 elections, certain parts of the country were living under a State of war and assassinations and bombings of political opponents were rife.

Governance was largely defined by a national security doctrine with little respect for the rule of law or constitutionality. The Tricameral Parliament and Bantustan system were supported by a minority, whilst the vast majority of South Africans had no political rights.

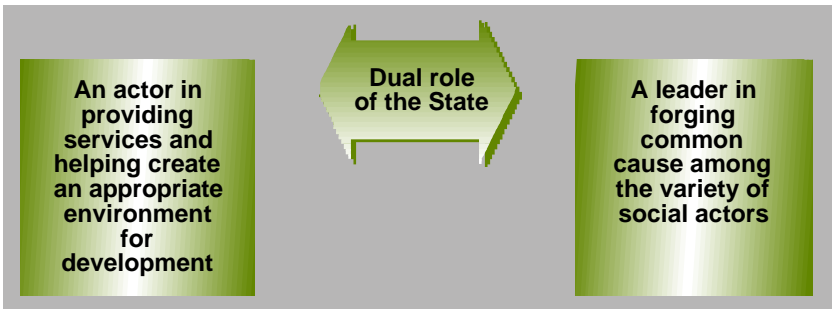
The authoritarian nature of the State meant that it became more isolated, more corrupt and more dependent on extra-judicial measures to sustain itself. By the late 1980's, the country had become ungovernable with the economy failing, the social fabric rent asunder by Apartheid, and the dislocation associated with social conflict.

Whilst it is possible to describe the main features of the Apartheid State, it is difficult to directly compare its performance with that of the democratic State after 1994 because of differences in the way in which social data was collected. The pre-1994 data excluded the so-called TBVC States and as a result significantly underestimated the impact of Apartheid policies on the African majority. With other changes, such as the introduction of political and civil rights, it is difficult to quantify the actual impact

on those previously excluded yet the impact is certainly phenomenal. The analysis and discussion that follow therefore uses the best available information since 1994, although in some cases, where it is meaningful and comparable, reference is made to pre-1994 data.

2.4 Nature of the State

The findings of the Ten Year Review need to be examined in terms of State power and its limitations. This will help determine whether certain objectives were in fact realisable if only the State was more efficient and whether there are some objectives that are beyond the scope of direct state intervention. These latter objectives may still be realisable but only because the State may have the means to achieve them in partnership with, and through the actions of, others.



It is possible to argue that the success or failure of government in achieving its developmental objectives will largely be determined by the appropriateness of the institutional framework that it creates. Much of the formal framework was confirmed in the 1996 Constitution, and the success of the State can be assessed in terms of how the Government and civil society make use of this framework.

However, the formal institutions of state are significantly influenced by the persistence of informal social modes of interaction which operate with logics that are often autonomous to those of the State. The totality of social networks can only be harnessed to the developmental effort if the State manages to provide the central co-ordination and leadership that will ensure that externalities of many separate activities become complementary to the development project. In other words, the State can ensure that the economies of scale beyond the scope of individual actors can be achieved through the better integration of their activities.

Therefore, the Government needs to make use of and participate

within the social networks but not as an equal partner. Government, representing the collective will of a nation, should give leadership to such interactions especially through its ability to 'pre-commit'. Pre-commitment is ability to articulate long-term but conditional public development objectives that enable a nation to achieve economies of scale from the co-ordinated effort of many individual actors.

In the broader context of globalisation, it is obvious that depending on its position in the world political economy, the nation state is limited in terms of what it can achieve relative to other states. South Africa seeks to transform a deeply divided society in a situation in which the nation-state is subjected to varying forms of global licence – economic, cultural, political and otherwise – which may not be fully appreciative and supportive of the nation-state's agenda. Thus adeptness at identifying the national interest and pursuing this in a creative way is part of the challenge of governance and state leadership in the current global arena.

In assessing the success of the Government in achieving its objec-

tives, and indeed the appropriateness of these objectives, we need to take this framework into account – particularly the dual role of the State as an actor in providing services and helping create an appropriate environment for development, and as a leader in forging common cause among the variety of social actors.

3 Themes

This Review has assessed the extent to which the new democratic dispensation since 1994 has redirected the purpose and content of government policy and seeks to describe the impact of these changes on South African society. The work of the Review has been organised in five themes corresponding to the Cabinet clusters although it is evident that there are many cross-cutting issues and each cluster contributes to a number of broad RDP objectives (see Annexure I).

3.1 Governance

Background

Since 1994, government has been

engaged in a vigorous process of transformation that includes a new Constitution, transformation of the State machinery, changes to almost all policy, all geared toward changing the Apartheid State and society into a democratic society based on the principles of non-racialism and non-sexism.

Given that Apartheid sought to systematically exclude the majority from political participation, and given that the Apartheid State had become increasingly isolated, authoritarian and corrupt, and given the high levels of political violence in the decade prior to the first democratic elections, there is no direct comparison between this era and the advent of democracy. There can therefore be no direct comparison to pre-1994 indicators, given the quantum nature of the change in governance. Progress has been registered in the following areas, with regard to the South African polity:

- 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.

A critical element in the first years of the democratic State was the introduction of a new constitutional and legislative framework. This entailed the adoption of the new Constitution in 1996, and the introduction of new legislation at the average rate of about 90 Acts per annum in the first nine years; such that since 1994 over 789 laws or Amendment Acts aimed at reconfiguring South African society were adopted.

The fact that the intensity of such legislative work has diminished in the recent period is a reflection of the progress made in this regard, and of the fact that the emphasis of government work is shifting increasingly from policy formulation towards a much greater focus on implementation.

Transforming the Public Service

Most evidence suggests that government has made remarkable progress in transforming the State machinery to make it more responsive to the needs of citi-

zens and to make it more accountable. The rationalisation and integration of the former fragmented Public Service is almost complete. The integration of the various Bantustan and central government civil services into a coherent single public service has been a success. The implementation of the current Resolution 7 of the Public Service Co-ordinating Bargaining Council (PSCBC) agreement of 2002 seeks to end the process of the restructuring of the Public Service. The present restructuring process involves the identification of skills with job descriptions and the retraining of staff. Institutions are also being restructured to meet the needs of their clients in a more efficient manner.

The Public Service has also come close to meeting the targets set for improving representivity in the Public Service. Although Africans now make up 72% of the Public Service at all levels, government still needs to focus on increasing the number of women in senior positions as well as a more general increase in the number of disabled persons employed in the Public Service. Overall, the num-

bers of civil servants have been decreasing from 1.2 million in 1994 to just over 1 million in 2001. However, capacity constraints have meant that almost 25% of government's procurement budget annually is now spent on consultants primarily providing information technology, policy advice and project management services.

The number of public entities increased during the 1990s (60 created) over the preceding decade (10 created). In addition, public entities receive considerable funding in the form of transfer payments (R10.2 billion in 2000/2001) and they employ 288 983 people.

Public entities were created to allow for flexibility in conditions of service, to retain income from revenue raised, to expedite systems (e.g. procurement), to ensure operational autonomy, and to implement commercial principles and practices. Challenges however remain, around performance, corporate governance and commitment of some of these institutions to the overall development objectives of government.

The introduction of the Senior Management Service improved conditions of service for senior managers with the aim of retaining and attracting skilled personnel in the Public Service. There is more stability at the top echelons of the Public Service although the general lack of technically skilled personnel at all levels is a matter of concern. This problem is particularly acute in provinces and local government. Career-pathing, especially at the highest levels of the Public Service, has yet to be fully developed; and as such, skilled and experienced personnel developed since 1994 are being lost to the private sector. This challenge applies equally to public representatives in various legislatures.

Thirty-seven Multi-Purpose Community Centres (MPCCs) have been set up as providers of information and services to the public. The aim of government is to establish one MPCC per District/Metro by the end of 2004 and to expand these to each municipality in the next decade. This would be complemented by the decision taken in 2003 to employ Community Development

Workers. The e-government programme is also expected to help improve service to citizens. Initial steps to improve service in line with *Batho Pele* have had uneven success. Weaknesses include poor senior management involvement in the monitoring of the implementation of the principles driving *Batho Pele*, and lack of public involvement in the enforcement of these principles. Such public involvement would require a confident citizenry that holds officials to account without fear of reprisals such as the withholding of services and benefits.

Financial management and accountability

The introduction of the Public Finance Management Act, (PFMA) 1999 improved accountability within government and to Parliament. The implementation of the PFMA and the change to a medium-term budget cycle has led to improved budgeting and financial management at national and provincial spheres of government. The challenge remains to include local government within the budgeting and planning cycles of government.

Efforts to improve service

delivery

Government recently introduced a National Planning Framework to enhance integration in the areas of strategic policy prioritisation and to improve the policy decisions of government. This includes the National Spatial Development Perspective which seeks to facilitate dialogue between and within spheres about the country's spatial priorities regarding infrastructure investment and development spending. Local government is not yet included in the planning process but the introduction of Integrated Development Plans (IDPs) is expected to assist in such interaction. The introduction of the IDPs, as well as the cluster approach and 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 programme implementation.

Some weaknesses have been identified in these structures. Although the IDPs are a form of local consultation that seeks to involve local communities in identi-

fyng their needs within a given locality, there remains a need to involve communities more in decision-making especially in poor communities. Research suggests that the poor lack formal organised power at local level outside of the formal political processes. It further suggests that where civil society organisations participate more fully, service-delivery gaps are better identified. In such cases, the prioritisation of service-delivery needs is also more appropriate to the needs of communities.

The plan to deploy Community Development Workers is intended to contribute to improved service delivery by taking services directly to the poor, but it is also intended to assist the poor to develop the capacity to organise themselves and participate in decision-making. However, any attempt to improve service delivery must confront the problem that there remain serious capacity shortages at provincial and local government levels of service delivery. Despite the enormous strides made in restructuring both provincial and local government spheres, there remain severe delivery constraints, and significant fiscal risks, especially in the local

sphere. The performance of both provincial and local government however reflects great unevenness, with some leading provinces and municipalities doing exceptionally well, whilst others are still struggling to achieve a basically acceptable level of operational efficiency and effectiveness.

There has been more compliance with government regulations since 1994. Research shows that the culture of compliance is enhanced when there is better information available to citizens, better understanding by authorities of the social attitudes of target groups and a combination of the incentives and disincentives. This applies to such instances as taxation, registration for elections, observance of traffic regulations, and new systems such as credit card drivers' licences.

Fighting corruption

Since 1994, numerous anti-corruption programmes and projects have been put in place by the new Government. In March 1997, the government sectors responsible for the South African National Crime Prevention Strategy (NCPS) estab-

lished a programme committee to work on corruption in the criminal justice system. By June 1997, the Code of Conduct for the Public Service had become part of the regulations for every public servant and was the subject of an ethics promotional campaign by the then Public Service Commission.

The National Anti-Corruption Summit was held in Cape Town in 1999. The purpose of the Summit was to discuss the importance of eliminating corruption in both the public and private sectors and to develop recommendations aimed at improving the investigation and prosecution procedures, implementing effective and co-ordinated anti-corruption structures, reviewing the legislation, and enhancing business' role in the fight against corruption across society.

Involving businesses, organised religious bodies, the NGO sector, donors, the media, organised labour unions, academics, professional bodies and the public sector, the Summit created a powerful platform for the National Campaign Against Corruption through its recognition of the societal nature of corruption, and its

acknowledgement that the fight against corruption requires a national consensus and the co-ordination of activities.

A review and revision of anti-corruption legislation, the establishment of whistle-blowing mechanisms; the speedy enactment of the Open Democracy Bill; the establishment of special courts to adjudicate on corruption cases, and the establishment of sectoral and national co-ordinating structures were recommended and implemented. A new Prevention of Corruption Bill was developed and is currently before Parliament, a Protected Disclosures Act commenced in February 2001, while the Promotion of Access to Information Act came into force in February 2000. The National Anti-Corruption Forum was established in June 2001.

To enhance this, government is introducing new measures such as the blacklisting of individuals and organisations, the establishment of anti-corruption hotlines, the establishment of sectoral and other hotlines, more efficient disciplinary action against corrupt persons, consistent monitoring and report-

ing on corruption, and the promotion and implementation of sound ethical, financial and related management practices. A central database of corrupt businesses has been established. The National Directorate of Public Prosecutions (NDPP) and South African Police Service (SAPS) have taken decisive and visible action against corrupt officials and white collar crime.

Government has in principle approved that corrupt employees be blacklisted from employment in the Public Service. Hotlines have been established in all nine provinces and for specific industries in the business sector. Disciplinary codes have been revised. At the level of government, about 80% of cases reported in the media are in fact discovered by government.

Conclusion

The policies for Governance and Administration were largely the required interventions. Most of the institutions are operating effectively although the process of stabilising the intergovernmental system is still not complete. More flexibility is required in the Public Service to

make it more responsive to the needs of public servants. The democratic State is able to exercise authority across society and it enjoys legitimacy in the eyes of the overwhelming majority. Its capacity to formulate and implement policy, mobilise resources, frame and enforce laws, and the integrity of institutions – all indicate progress in governance. Civil society is vigorous although many formal organisations lack mass involvement of especially the poor and marginalised communities. The capacity of the State to deliver social services requires improvement with greater capacities at national departments and some weaknesses at provincial and local government level. Compliance with regulations is high. However there are some weaknesses with regard to government's capacity to involve the informal sector in adhering to their civic obligations. Success is slow but notable with regard to fighting corruption.

3.2 Social

The central programme of the social sector focuses on poverty alleviation through a range of pro-

grammes 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 by the 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 Gini coefficient massively due to a redirection of spending to the poor since 1994 (discussed further below).

Income poverty alleviation

According to Statistics South Africa, it is estimated that in 1995 approximately 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 house-

holds out of 11.4 million (just under 33%) living below the poverty line. Of these, most were Africans. Part of this increase in 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 (to be discussed again below). Of female-headed households, 45% were below the poverty line, compared with 26% of male-headed households. On average, the poor were living with incomes about 12% below the poverty line, in line with many comparable developing economies. These figures will be updated once the Census 2001 data has been further analysed.

At least two major programmes of the Government address income poverty in the form of income grants and public works pro-

Social grants	1994	2003
Expenditure	R10b	R34.8b
Beneficiaries	2.6m	6.8m

grammes.

Under Apartheid, social grants were still being allocated on a racial basis. Since then, government has equalised the Old-Age Pensions, and spread the reach of the Child Support Grant (CSG) among all eligible children. There are at least seven types of grants currently administered by the Department of Social Development and these are targeted at pensioners, poor families with children, war veterans, foster care and grants in aid for families taking care of children and people in need. The expenditure on these social grants has increased by 3.5 times between 1994 and 2003 from R10 billion to R34.8 billion. The number of beneficiaries has increased from 2.6 million to 6.8 million.

Research shows that grants are exceptionally well-targeted. The poorest 20% of households receive the largest amount from grants, not just as a proportion of income, but also in absolute terms. Fully two-thirds of the income for the poorest quintile is attributable to state transfers. Simulation studies also show that,

in the absence of any grants, 55.9% of the elderly would be in poverty and 38.2% would be in ultra-poverty. This falls to 22.9% and 2.5% respectively if all recipients get grants. In the absence of the CSG, but after taking account of the Old-Age Pension, 42.7% of children would be in poverty and 13.1% would be in ultra-poverty. Poverty among children (under seven) falls from 42.7% to 34.3% and ultra-poverty falls from 13.1% to 4.2% if all recipients get grants. Overall, social grants have the potential of reducing the number of individuals in poverty from 42% to 24%. Although great progress has been made in registering recipients, the full impact of these grants will only be realised when all eligibles are registered.

Expenditure on public works programme has increased almost tenfold since 1998. As part of the objective of providing employment, the public works programme has employed a total of 124 808 people since 1998. However, most of these jobs were temporary in nature. A total of 3 407 permanent jobs were created in 1999–2002 and a total of 141 permanent jobs were created by

the first half of the 2002/03 financial year. Research indicates that public works programmes vary in their efficiency of transferring income to the poor with the average expenditure per worker varying from between R27 242 in Limpopo to R6 515 in the Eastern Cape. Thus, public works programmes while increasing provision of assets to the community, are not as efficient as income grants in alleviating income poverty. Nonetheless, these programmes have been successful in alleviating the asset poverty of communities. Over R6.5 billion of expenditure on infrastructure has provided 2 182 community assets.

Human Capital Poverty Alleviation

Social services such as education, health, water and sanitation, and electrification are critical to improving the human capital of

the nation.

Education

Expenditure on education remains the largest budgetary item in South Africa. For early childhood development (ECD) there has been a steady, albeit non-linear increase in enrolment in the reception year, with enrolment increasing from approximately 150 000 to 280 000 between 1999 and 2002, suggesting that full enrolment will be reached by 2015. Gross primary school enrolment has remained steady at around 95.5% between 1995 and 2001. Gross secondary enrolment is currently approximately 85%, indicating a 15% increase from 1992. The learner-to-facility ratio has also declined with classroom sizes declining from 43:1 in 1996 to 38:1 in 2001, indicating that learners are getting better access to classroom facilities.

Progress in education is ahead of

Education	Period	Enrolment
Enrolment (early childhood development or ECD)	1999-2002	150 000 - 280 000
Primary school enrolment	1995-2001	95.5%
Secondary school enrolment	1992-2001	85% (+15%)

the Millennium Development Goals and ahead of most comparable developing countries. In addition, the male to female enrolment ratio is greater than one, indicating that slightly more girls are enrolled than boys. This is positively different from other comparable developing countries.

The main outcome indicator for education is the adult literacy rate, the proportion of the population over 15 years that can read and write in one language. General outcomes of the educational programmes indicate that there has been an increase in literacy rates from 83% in 1996 to 89% in 2001 for the general population while the literacy rate for 15–24-year olds has increased from 83% to 96% which is exceptionally high for any nation. These improvements are also reflected by a parallel increase in the matriculation pass rate from 54% in 1996 to

69% in 2002. It should be noted that whilst the proportion of matriculants has increased significantly there has been a decrease in the absolute number of matriculants due to the implementation of tighter progression standards at lower levels and limitations on "repeaters".

Since 1996, there has been an increase of 2% in the number of people completing grade 12 to 5.1 million in 2001 and a further 2.2% increase in the population completing tertiary education to 2.2 million in 2001, suggesting that the skills profile of the country is improving. However, within the population as a whole, approximately 71% of the population over 20 years have not completed secondary schooling. This finding is significant in terms of impact of human capital on employment.

Health

Education	Period	Quantity
Adult literacy rate	1996	83%
	2001	89%
Literacy rate (15-24)	1996	83%
	2001	96%
Matriculation pass rate	1996	54%
	2000	69%

Public healthcare expenditure has increased in the last eight years although real per capita (uninsured) expenditure has remained at between R967 and R907. The main thrust of the Department of Health has been to improve the access of healthcare through the primary healthcare approach (PHC). Major programmes include the Free Healthcare policy for women and children under the age of six. Implementation of this programme has resulted in increased utilisation rates which indicates increased access. However the per capital PHC visits is between 1.3 and 2.7 which is still slightly under that of 3 to 3.5 visits, per capita per annum recommended by the World Health Organisation (WHO) and Department of Health. There are now over 4 350 PHC access points available to the population. In terms of clinics alone this represents an increase of 701 additional clinics nationally from the clinic upgrading and building programme.

The immunisation programme has shown an increase in the rates of immunisation between 1994 and

2002 from 63% to 72% nationally although provincial disparities remain. However, the greatest success of the immunisation programme has been the elimination of deaths due to measles and to reduce the incidence of polio. The Integrated Nutrition Programme has increased from 89% of the targeted learners in 1994 to 94% coverage of eligible and targeted learners and has now reached almost 4.58 million children. Without factoring in the weak statistical base in 1994 which excluded many poor areas, the rates for under-weight children have increased slightly from 9.1% in 1994 to 11.17% in 1999; whilst stunting increased for those aged 6-71 months from 22.9 to 23.8; and wasting has also increased slightly from 2.6% to 3.6% in 1999.

Indicators of health status show that infant mortality has increased from about 40 per 1 000 births to 45 per 1 000 births between 1991 and 1998. Maternal health indicators such as antenatal care utilisation have increased from 89% to 94% between 1994 and 1998, births received with no antenatal care has declined from 12% to 3% and deliveries at healthcare facili-

Life expectancy	Period	Quantity
Life expectancy UNDP	1995	65 years
	2000	52 years
Life expectancy MRC	1995	57 years
	2000	55 years
HDI UNDP	1995	0.72
	2000	0.70
HDI MRC life expectancy	1995	0.63
	2000	0.71

ties has increased from 78% to 83%. Maternal mortality ratios have averaged 150 per 100 000 live births in the South African Demographic Health Survey (SADHS) despite improved service delivery and access. New data will only be available once the 2003 SADHS is completed.

The Human Development Index (HDI) was calculated for purposes of this Review, using the Medical Research Council (MRC) estimates of life expectancy rather than those used by the UNDP to calculate their HDI. The UNDP estimated life expectancy at 65 years in 1995 and 52 years in 2000. The MRC figures were 57 and 55 years respectively. Calculating the HDI using the same UNDP figures for gross enrolment and GDP per capita but the MRC estimates for life

expectancy yields an HDI of 0.63 for 1995 and 0.71 for 2000. The comparable UNDP results were 0.72 in 1995 and 0.70 in 2000. Therefore, the HDI calculated with MRC life expectancy estimates indicates a significant improvement whilst the UNDP HDI shows a decline. These differences reflect the problems with using estimates of life expectancy to assess progress in development.

The prevalence of HIV/AIDS as estimated from public antenatal clinics shows an increase from 0.7% in 1990 to 26.5% in 2002. The HIV prevalence rates seem to be stabilising between 1999 and 2002. The overall prevalence rate was 22.4% in 1999, 24.5% in 2000 and 24.8% in 2001. According to extrapolations used in the Joint Health and Treasury Task Team on Treatment Options

to Enhance Comprehensive Care for HIV/AIDS in the Public Sector, these proportions translate into an estimated 4.7 million South Africans infected with HIV, with about 400 000 at an advanced stage of AIDS.

The stabilisation can be attributed mainly to the prevalence rates in pregnant women under the age of 24 years decreasing consistently for the last few years. In addition the rate of syphilis infections among pregnant women has also declined from 7.3% in 1999 to 2.8% in 2001. At the same time dedicated expenditure (exclusive of programmes) on HIV/ AIDS programmes across national departments has 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 tenfold to R3,6 billion in 2005/06. This increased expenditure is beginning to have an effect on the knowledge and behaviour of high-risk groups such as young women. Research results indicate that there is increasing condom use among 15–24-year olds. The 1998 SADHS indicates for those aged 15 to 19 years condom

usage was 19% and for those aged 20 to 24 years it was 14.4%. Research indicates that there is a marked improvement in knowledge about HIV, which was at 72% in 2001, and there is increased abstinence among young women aged 15 to 24. Moreover, condom usage by women has increased from 8% in 1998 to 28.6% in 2001. This increased knowledge and expenditure is reflected in the decline in the rate of HIV prevalence in the 15-24 age group.

The TB control programme has seen many modifications in implementation since 1994. Chief amongst these has been the implementation of the Directly Observed Therapy (DOTS). By 2003, DOTS has been implemented in 70% of all health districts. Improvements in case detection, treatment and in cure rates in both DOTS and non-DOTS areas have been seen between 1996 and 1999. Treatment rates have increased from 60% to 65% between 1996 and 1999. High rates of treatment interruptions and transfers however mean that treatment rates remain at below the targeted 85%. This lower cure

rate also indicates the compounding effect of drug-resistant TB, elements of which may be related to HIV and AIDS.

Water and sanitation

Provision of clean water is a major tool for protecting human capital and for reducing social asset poverty. The proportion of households having access to clean water has increased from 60% in 1996 to 85% in 2001. This translates into around 9 million citizens or about 3.7 million additional households gaining access to water between 1995 and 2003. The expenditure for the provision of water was approximately R5 billion in the period under review.

In terms of the urban/rural distribution, in 1994, 4 million households had access to clean water in urban areas, with only 970 000 households having access in rural areas. By 2003, the number of urban households gaining access increased by a further 1.7 million but the greatest gain was in rural areas where an additional 1.6 million households received water between 1994 and 2003.

The proportion of households having access to sanitation has also increased, though at a slower pace. In 1994, 49% percent of households had access to sanitation and this increased to 63% in 2003. The reason for the higher

Services	Period	Quantity
Proportion of households with access to clean water	1996	60%
	2001	85%
Expenditure on water & sanitation	1995-2003	9m citizens/3.7m additional h/holds R5b
Access to sanitation	1994-2003	49%-63%
Increase in electricity connections	1996	32%
	2001	70%
Use of electricity in poor areas for heating		49.1%

backlog in sanitation provision can be attributed to the increase in the number of households and the increased focus on provision of water to households. Thus, up until the recent floods, there was a declining trend in the incidence of cholera. Between 1991 and 1995, 119 cases were reported nationally which decreased to 70 cases in the period between 1996 and 2000.

Electrification

There has been an increase in electricity connections which translates to an increase in the proportion of households with electricity from 32% to 70% by 2001. However, in poor areas in 2001, most of the electricity was still used for lighting and only 49.1% of households used electricity for heating purposes.

Asset Capital Poverty Reduction

The housing and land programmes are the two lead programmes relating to the elimination of asset capital poverty. From these programmes alone, about R50 billion of assets have been

transferred to poor households since 1994.

Housing

Between 1994 and 2003, 1 985 545 subsidies were approved for an expenditure of R24.22 billion. Moreover, 481 373 houses that were built in the Apartheid era were transferred to occupants through the discount benefit scheme. Whilst the cost to government was approximately R3.6 billion, the replacement cost of these houses (that is, the value to occupants) is approximately R24 billion. Thus, about R48 billion of housing assets have been transferred to citizens since 1994.

With respect to improving gender equality in housing ownership, 49% of all subsidies approved were granted to women. The outcomes of providing subsidised housing indicate that a total of over 6 million citizens received housing between 1994 and 2003.

A major challenge for the housing sector will be to meet the increasing demand for housing generated by the decrease in household size

- ▼ Lead programmes: housing and land programmes
- ▼ Since 1994 these programmes transferred R50 billion of assets to poor households
- ▼ Decreased household size (4.5 to 3.8 in 1996-2001)

Housing	Period	Quantity
Subsidies approved	1994 - 2003	1.985m subsidies approved for an expenditure of < R24.22b
Subsidies: women	1994 - 2003	49% of all subsidies
Housing received	1994 - 2003	6m citizens
Transfer of deeds	1994 - 2003	481,373 (Discount Benefit Scheme) with an approximate value R24b

between 1996 and 2001.

Household size decreased from 4.5 to 3.8 in that period and this translates into an increase of two million additional households over and above that generated by population growth. It is expected that demand for housing will double as a result of this phenomenon.

Land

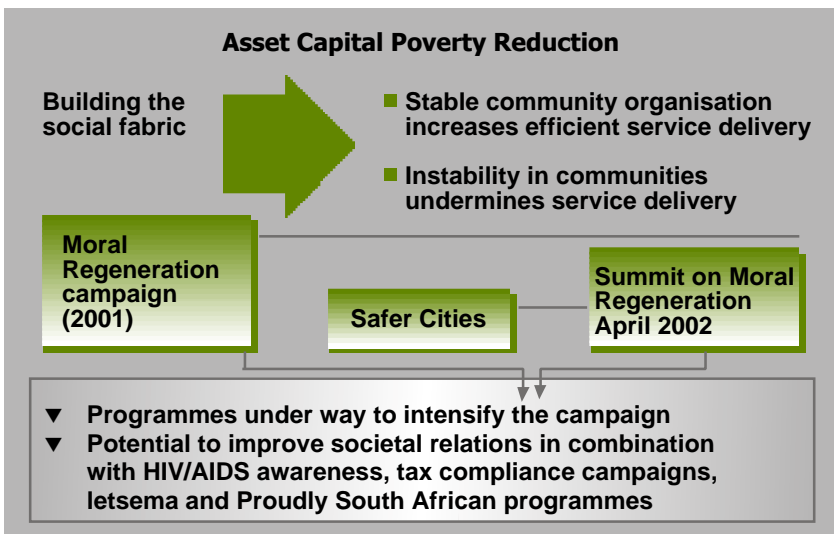
Land restitution, tenure reform and land redistribution are the other major policy instruments used for alleviating asset poverty since 1994. Since 1994, 1.8 million hectares (ha) of land have been transferred under the redistribution programme to about 137 478

households. Approximately 80% of these transfers occurred between 1997 and 2002. By 2002, approximately 68 000 claims had been lodged of which 72% were urban and 28% rural. A total of 36 489 claims have been settled involving about 85 000 households. For urban claims there has mostly been financial compensation for victims of forced removals and the total compensation made by December 2002 was R1.2 billion. For the rural claimants, the restitution mainly takes the form of restoration of land and by December 2002 approximately 571 232 ha been restored at a cost of approximately R442 million.

Maintaining the social fabric

The focus on building the social fabric is crucial for government programmes to succeed. Stable community organisation has been found to increase efficient service delivery as well as improve market performance and economic growth. Research indicates that increased violence in communities, which is a symptom of weakening social fabric, undermines service delivery and therefore impacts on the income, human capital and assets of communities. The studies indicate that housing service delivery is impeded in communities with high violence levels as is the delivery of healthcare and schooling. One of the major mechanisms

that have been implemented to build community-to-community networks and trust is the Moral Regeneration campaign. Since the programme's inception in 2001, a summit on Moral Regeneration took place on 18 April 2002 and programmes are under way to intensify the campaign. A second mechanism to deal with improving the social fabric has been through the Safer Cities initiative of the SAPS and the Department of Education's initiatives to prevent crime in school. Combined with HIV/AIDS awareness, tax compliance campaigns, *letsema* and Proudly South African programmes, these indicate potential to improve socie-



tal relations.

Communication and culture

In terms of providing access to the medium of communication, the number of households with access to cell phones in 2001 was 32%, those with access to land lines 24%, those able to access a radio was 73% and television 54%. The major means of communication however takes place through radio. In terms of access to the official languages, plans are under way to fully implement the constitutional recognition of all 11 languages of South Africa as official languages through the Language Bill.

In addition, the Department of Education is fostering respect for history, language, culture, values and attitudes for enhanced social participation through its new curriculum. Implementation has started of the modernised curricula, which include values and human rights principles, and which will improve teaching and learning practice in schooling as well as the relevance of the competencies gained in the education and training system.

Another means of fostering com-

munity life is through the development of sports and recreational programmes. In the education sector, a 2001 school survey found that 62% from a sample of over 42 000 Grade 3 learners reported that they were involved in sporting and cultural activities in 2001. Outside of the education sector, approximately R500 million worth of facilities have been constructed or upgraded, especially in disadvantaged communities. More than 610 disadvantaged communities have enjoyed the benefit of access to decent sport and recreation facilities and programmes.

Further, a specific programme to test 9 000 pupils for sporting ability was launched, after which the top two per cent were identified for placement in programmes for advanced training and nurturing. As a result of this, the first South African Games were held in 2002 in which approximately 2 500 young athletes from across the country participated as part of a developmental process that will nurture their talents for participation in future international sports events.

There has been an appreciable

resurgence of local self-assertion in the areas of music, the arts, literature, dress and, to a limited extent, film and video. However, while this phenomenon, encouraged by the theme of African renewal, shows some progress, there remains a counter-tendency of creating poor imitations of more generic international styles and expressions.

Addressing social exclusion

In order to alleviate inequality in access to services, human income and asset poverty and to address the social exclusion characteristic of Apartheid, many fundamental changes have been made through legislation and policy.

Many of the instruments used to prevent social exclusion are related to land issues which have been addressed through the Tenure and Land Reform processes.

Gender equality has been promoted, among others, through the recognition of customary marriages, the establishment of the Office of the Status of Women, labour equity, maternity benefits, recognition of surnames, attending

to issues of sexual harassment and affirmative action. Labour protection for domestic and farm workers, employment protection through the Basic Conditions of Employment Act, the Employment Equity Act, Wage Act and the Labour Relations Act have also contributed to normalising social relations. Citizenship protection has been enhanced through the Refugee Act and the Citizens Act. Protection of special groups such as the elderly, the disabled, and vulnerable children has occurred through specially targeted policies and programmes.

In addition, the Department of Education has campaigns to reduce discrimination against poor learners, female learners, pregnant learners, vulnerable learners and learners from certain language, religious or cultural groups. Since March 2003, proposals have been developed for the establishment of a system to monitor anti-discriminatory practices in the education and training system wherever they occur. However, while significant progress has been made, there is evidence that discrimination in employment still exists. Unemployment and other

social ills are still disproportionately higher for blacks and women, and there is still a gender-based premium in earnings.

Preserving the environment

The inclusion of the right to environmentally sustainable development in the Constitution has emphasised the importance of the sustainable use of natural resources in the South African context. The country's natural resources are the nation's natural capital and play a significant role in overall sustainable development and poverty eradication.

The last ten years have seen natural resource management and conservation in South Africa move squarely into an arena concerned with human rights, access to natural resources, equity and environmental sustainability. A number of trends stand out clearly in natural resource management since 1994.

The first is the focus of the Government on the more equitable distribution of rights of access to natural resources. Along with greater equity in

access has come the recognition that many resources can only be sustainably managed through the participation of resource users and beneficiaries in the planning, control and conservation of the resource.

Conservation areas are creating opportunities for local communities to participate in the management of protected areas and in the process share in the benefit of tourism, thereby improving their lives.

The natural resource base provides the basis for substantial economic gains. Millions of rural South Africans depend upon biological resources for their day-to-day survival. Access to this "natural capital" provides a crucial contribution to livelihoods, an important buffer against poverty and an opportunity for self-employment.

As a "hidden economy" it also generates substantial income. For example, in Gauteng alone the informal medicinal plant trade is estimated to total R21 million per annum and in KwaZulu-Natal the trade is worth R60 million a year. Community-Based Natural

Resource Management has been a particular focus for many of the rural development initiatives that put emphasis on community-based nature conservation and ecotourism.

The implementation of the Bioregional Strategy, which entails consolidation and expansion of the current system of protected areas from 6% to 8% is under way. The expansion of such national parks as the Addo Elephant National Park through the acquisition of new land and current initiatives to develop new parks is a good example of the implementation of the Bioregional Strategy. Commercialisation of tourism facilities and services within protected areas is an example of efforts to improve management efficiency and revenue generation from protected areas. Another major achievement over the past few years has been the establishment of Transfrontier Conservation Areas (TFCAs). These cross-border Conservation Areas accord with the vision of the NEPAD, of economic, social and political integration within the continent.

Conclusion

The social cluster deals most directly with the impact of changing circumstances on the lives of the population. Significant progress has been made in de-racialising social services and extending the social safety net to all South Africans. Different programmes which respectively address income, asset and human resource poverty are taking effect and showing improvements in the lives of people. However, the persistence of poverty, arising largely from unemployment and the Apartheid legacy, and the difficulties in health demonstrate the magnitude of the challenge. Whilst service delivery and social grants are reaching an ever-increasing proportion of society, poor people and the social fabric that ensures their survival continue to be vulnerable. Overall, there have been improvements, but the challenge remains daunting.

3.3 Economic

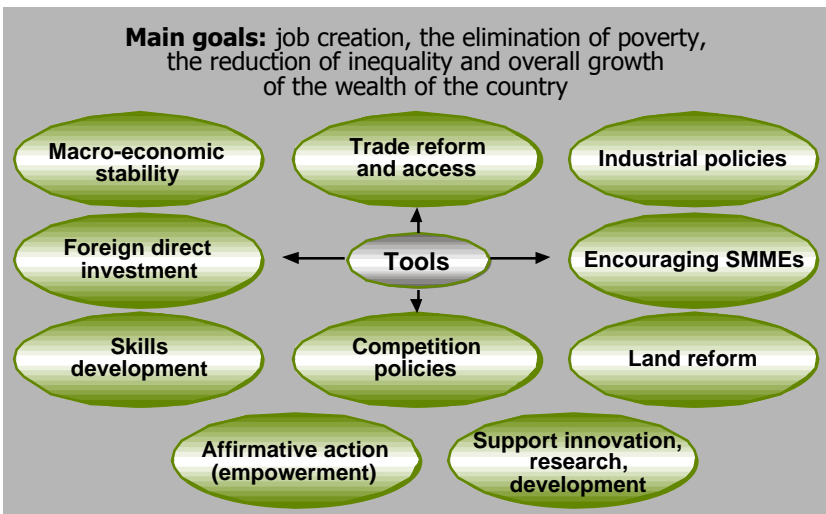
The main goals for economic policy for the last ten years

Government established its economic policies in the Ready to Govern, and the RDP document

and White Paper. Key economic objectives were job creation, the elimination of poverty, the reduction of inequality and the overall growth of the wealth of the country. Key tools were: macro-economic stability; steady trade reform and improved trade access in the context of a strong multilateral system; industrial policies to add domestic value and to increase competitiveness and improve productivity to encourage exports; encouragement of foreign direct investment (FDI); strong competition policies to improve competitiveness and roll-back white minority control of the economy; to encourage Small and Medium Macro Enterprises (SMMEs), especially black-owned

companies; to promote skills development, including occupational skills and adult basic education and training, for affirmative action and employment; to further reduce inequalities through affirmative action (later called empowerment) and land reform; and to support innovation, research and development for competitiveness and social benefit.

Later, in the 1996/97 period, in order to deal with the inherited fiscal crisis as well as new difficulties pertaining to currency volatility and low investor confidence, GEAR elaborated upon the notion of macro-economic stabilisation that was inherent in the RDP. Though it also set out some key



Macro-economic stability	Period	Quantity
Budget deficit	1993	9.5% of GDP
	2003	1% of GDP
Public sector debt	1994	64% of GDP
	2003	50% of GDP
Net open forward position (SARB)	1994	\$25b
	1998	\$22.5b
	2003	\$0
Foreign reserves	-	Risen from 1 month's import cover to 2.5 month's cover

strategies for growth including strategies for tax incentives, small business development, innovation programmes and skills development, the main focus of GEAR was stabilisation of the macro-economy under trying circumstances. It also set out what became known as "targets" for macro-economic policy outcomes, and for growth and employment. Detailed work was also done to elaborate a policy for black economic empowerment (BEE).

Review of the economic sector

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 60% of GDP in 1994 to barely 50% of GDP in 2002/03. The net open forward position of the Reserve Bank has fallen from \$25 billion in 1994 and \$22.5 billion in 1998 (the highest level since 1994) to zero in 2003, and foreign reserves have risen from one month's import cover to two and half month's import cover. South Africa has achieved a level of macroeconomic stability not seen in the country 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 as a percentage of GDP has averaged around 16 – 17%, which is low by the standards of successful developing countries. In the 1960s, South Africa reached a level of 27% and higher in some years. It is now at its lowest-ever levels.

There are three investor groups in the South African economy: the private sector, government and the parastatals. The investment performance of all three has been lower than required, and government-sector investment reached historically low levels in the late 1990s.

This trend reflects an extended period of public-sector transformation when methodologies of public-sector investment were being reviewed. Government investment was constrained by the tight fiscal policy in pursuit of macro-economic stability whilst parastatal investment was constrained by the restructuring of the State-owned enterprises. Since 1999, government investment expenditure has begun to grow, with the allocation to capital expenditure rising from 5.3% to 9.3% of total

government expenditure. This trend is expected to continue as the investment capabilities of provincial and local government are strengthened.

The relatively low level of private-sector investment seems to derive from general concerns about the direction of government policy (more an expression of mistrust than reality), mediocre growth expectations, perceived costs of crime, elements of labour legislation and high interest rates. For small firms, access to capital is a major constraint. Concern for the credibility of macro-economic reforms resulted in strongly risk averse behaviour, especially in respect of the rate of inflation, and hence to tight monetary conditions. Several of these factors have eased, and the country has entered a period of higher private-sector investment.

Since the immediate pre-1994 period, the country's net FDI has been positive on balance, which is a turnaround from the massive outflows of the 1980s and early 1990s. Significant foreign investments have been seen in such sectors as the motor industry, the

chemicals sector, mining, and dairy products, but relatively little of this is green-field investment, that is, investments into major new projects or plants. There are two main reasons for this trend. The market in South Africa and southern Africa is not very large and is not growing fast enough. Foreign direct investors are making long-term calculations, and their poor understanding of democratic South Africa has been a significant constraint. This is the result of poor information, and the inclination of the media to portray the South African story as a confusing drama, rather than a saga of steady improvement. Nevertheless, since the beginning of 2000 there has been an improvement in net FDI, including green-field investments.

On average, per capita growth was negative in the decade before 1994. Since then, the economy has grown at a rate of 2.8% per annum, on average. If the Asian crisis years of 1998 and 1999 are ignored, the average growth rate was 3.25%. Either number is a considerable improvement on the two decades before 1994. Real per capita growth has been a little over 1% per year since the beginning of 1994. In other words, on average South Africans grew wealthier at a rate slightly faster than 1% per year since 1994. In comparison to strong growing economies, this is a mediocre performance, although it is steady but an unspectacular performance compared with most developing economies.

Growth/Wealth

Employment

Growth / Wealth

Negative per capita growth in decade before 1994

Since 1994:

- ▼ economic growth rate: 2.8% per annum
- ▼ average growth rate: 3.25% (excl. 1998/99)
- ▼ South Africans grew wealthier (real per capita) at a rate slightly faster than 1% per year
- ▼ a steady but unspectacular performance compared with most developing economies

Between 1995 and 2002, the number of people employed in South Africa grew from 9 557 185 to 11 157 818. This represents 1 600 633 net new jobs. These are net new jobs because this is increase in jobs after accounting for many jobs lost in some sectors. However, during the same period, the number of unemployed people grew from 1 909 468 to 4 271 302, an increase of 2 361 834 according to the strict definition. This includes an increase in the base numbers of those seeking work, which, now includes a greater proportion of women from rural areas. 2002 figures show that out of a total of 8.9 million workers (i.e. excluding employers, self-employed and those working without pay) 1 115 000 were temporary (12.5%), 567 000 were 'casu-

al' (6.4%), 365 000 had fixed term contracts (4.1%) and 62 000 were seasonal (0.7%).

A key point to note regarding the job market is that while many unskilled workers are unemployed, there is a shortage of suitably skilled workers which is a constraint on expansion. Skill sets often identified as those in short supply are financial service and information and communication technology skills. These include mid-level skills accessible to matriculants and diplomates.

Trade reform, industrial restructuring and industrial policy

Reshaping of trade and industrial policies is reflected in an improved balance of trade and a shift from

Employment	Period	Quantity
Employed people	1995-2002	9 557 185 – 11 157 818: 1 600 633 net new jobs
Unemployed people (incl women from rural areas)	1995-2002	1909 468 - 4 271 302: an increase of 2 361 834
Temporary workers (out of 8.9m workers)	2002	1 115 000 (12.5 %)
Casual workers		567 000 (6.4%)
Contract workers		365 000
Seasonal workers		62 000 (0.7 %)

primary exports to higher valued-added secondary and tertiary sector exports. These achievements are due to the Government's success in supporting and promoting multilateral rules-based global trading regimes (see IRPS) and the use of general and targeted 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; and the negotiation of a bilateral trade and aid agreement with the European Union (EU). The unilateral American African Growth and Opportunity Act provision has also aided South Africa's exports. These agreements are contributing to new trade activity and to new FDI into South Africa. Currently, South Africa is a leading developing country participant in the Doha Round of the World Trade Organisation WTO; it has entered free trade talks with the USA; it is pursuing a free trade agreement with the Latin American members of the Mercosur; and it is discussing the possibility of a bilater-

al trade agreement with India.

In terms of trade policy, the main programme has been the implementation of tariff reform in line with South Africa's WTO commitments, combined with modernisation of industry. In the late 1990s, in the course of the development of the Integrated Manufacturing Strategy and the Micro-economic Reform Strategy, government's view shifted in two main respects: firstly incentive programmes were extended beyond traditional manufacturing sectors; and secondly key industries were targeted for special attention. These included 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 industrial development resources, including science and technology, and Human Resource Development (HRD) funds.

State enterprise restructuring

A coherent policy framework was put in place which focused primarily on the key economic sectors of telecommunications, energy, defence and transport. The reasons

for reforming State-Owned Enterprises (SOEs) included 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 constraint was that restructuring had to be carefully managed as the SOEs employed tens of thousands of workers. Another consideration was that in restructuring corporations, BEE would be encouraged.

Of these objectives, the one achieved unambiguously was the reduction of public debt by R24 billion. Other consequences include the creation of a more entrepreneurial class of those interested in restructuring activities, the advancement of regulation, the opening up of some industries to competition and the widening of share-ownership. Commercialisation and/or partial privatisation has 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. The creation of greater competition still has to be achieved in some sectors. Greater competition and further improvements to the regulatory environment should ensure that certain 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 shedding of jobs mainly from "modernisation" (improvement of business processes and the introduction of new technology). There has been a strategic shift in recent years to tighten oversight over financial, economic and socio-developmental activities of SOEs to ensure that they are aligned to the objectives of the developmental state.

Regulatory quality, labour legislation and taxation

In the process of restructuring state assets and liberalising markets previously controlled by state monopolies, new systems of regulation have been established. These include a range of new regulators in the transport sector, in the telecommunications sector and in the energy sector. Though

South African regulators are relatively well-endowed by developing -country standards, they are generally weak in relation to the corporations they are regulating. In addition, relations between the regulators, their boards/councils, and government vary considerably, even in relation to regulators that have similar functions.

South Africa has made great progress in introducing and amending labour laws that give employers and employees certainty and security in their employment relationship. The 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 negotiated amongst the economic role-players.

The basic level of company taxation meets South Africa's needs and is consistent with international practice. However, there are concerns raised about the system from two contrasting perspectives. On the one hand, there are concerns that "creeping" forms of tax-

ation 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 are seen to be unpredictable additions to the tax burden of firms. On the other hand, given the current levels of social inequality and the low rate of commitment of capital to productive investment, it has been argued that further qualitative reductions in corporate tax in the current period may generate further social polarisation. There is also a question of whether there is scope for the design of the tax system further to support developmental objectives, for example, through tax rebates or allowances investment in activities like research and development, employment creation and investment in targeted industries and geographical areas.

Competition

The new competition authorities, established under the Competition Act of 1998, have established a reputation for sound performance, much greater than their predecessor, the Competition Board. However, there is concern that the

competition authorities have not been as effective in the field of combating prohibited practices, except where those practices are specifically outlawed, such as in merger control. Industry concentration remains high in South Africa, with sprawling conglomerates of the 1980s having given way to industry-focused powerhouses. As a result, price mark-ups in South Africa are high by international standards, especially in certain key intermediate product groups such as beverages, paper and paper products, coke and petroleum products, basic chemicals, basic non-ferrous metals, and, to a lesser extent, ferrous metals.

Small business development

The experience with regard to small business creation is reflected in the Small Business Council, Khula Enterprise Finance Corporation and Ntsika Enterprise Promotion Agency having made modest impact, though some agencies such as the Manufacturing Advisory Centre programme are considered to be world-class. Small business strategy is currently under review. It

remains important to clarify the focus of strategies with regard to distinctively different sectors of the SMME community, i.e. micro businesses (often informal), small businesses, small technology start-ups and medium businesses.

In trying to measure the impact of small and micro businesses on the economy, it was found that in 2001 there were 2.3 million people who owned at least one Value Added Tax (VAT) unregistered company. Of these, only 338 000 owners had employees, a total of 734 000. While this may raise the question of the job creation potential of these enterprises, it also demonstrates the level of self-employment, a large part of which may be survivalist. The contribution of this sector to GDP and employment however bears testimony to a fundamental role that this sector is playing in the South African economy. Data on small and medium enterprises suggests that these enterprises contribute about half of total employment, more than 30% of total GDP; and one out of five units exported is produced in the small and medium sector in South Africa.

Skills development

It remains the case that large numbers of unskilled workers are unemployed, while employers cite a shortage of semi and skilled workers as a constraint on expansion. A significant amount of resources have been directed towards both general education and skills training and has also focused considerable attention on restructuring the institutions that deliver HRD and skills. The target of 3 000 completed learnerships was exceeded in 2001, although, institutionally, the Sector Education Authorities and Training (SETAs) have been slow in meeting their objectives. 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 SETAs should yield better results.

There is a relatively large reservoir of 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. Many of these unemployed people have earned degrees and diplomas that have not sufficiently prepared them for the labour market. Two messages come out of the data. The first is that school, technikon and university programmes are not always effectively geared towards employability. The second is that school-goers and school-leavers do not have 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%. This shows that empowerment in the workplace is continuing, but very slowly. Progress was slow in extending black ownership, with a recent estimate of black equity in public companies indicating 9.4% in 2002, compared with 3.9% in

Changes in black representation 1996 - 2001

Occupation	Black				White			
	1996		2001		1996		2001	
	Nr	%	Nr	%	Nr	%	Nr	%
Managers, senior officials, legislators	155062	43	228302	44.3	205652	56.4	287087	55.7
Professionals, associate professionals, technicians	814428	58	974662	61.4	583232	41.3	613575	38.6

1997, from being virtually non-existent before 1994. The number of Previously Disadvantaged Individual (PDI) directors of public companies drew from 14 (1.2%) in 1992 to 438 (13%) in 2002, but the proportion of PDI executive directors remained 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% better than 2000. Women in senior management grew a little faster, by 1.7% to 17.7%.

Evidence from the Census 2001 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 now comprise 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 significant payoffs in the form of greater levels of domestic innovation and R&D. 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, of which the first example to be operationalised is the Biotechnology Strategy. Expenditure on R&D averaged around 0.75% of GDP for most of the 1990s, and is currently estimated at about 0.8%.

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. A great deal remains to be done in respect of these factors.

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. Unfortunately, the country's skills base, the volatility of the exchange rate and the interest rate, the cost of inputs such as transport and telecommunications, lack of competition in the domestic market, and poor perceptions of Africa and southern Africa are holding back higher rates of investment. There is an opportunity to better use the infrastructure to provide low-cost services, to continue to add more value to the processing and manufacturing sectors and to reduce South Africa's risk rating through better marketing. However, competition from Asia and other parts of Africa, slow improvements in skills and input costs, and weaknesses in implementation continue to hold back such progress. The global economy will continue to have implications for the domestic economy.

3.4 Justice, Crime

Prevention and Security

Transformation of the cluster departments

There are many factors that bedevilled an efficient and effective functioning of the JCPS departments before 1994: they broadly lacked integrity and legitimacy; their mandates and functions were vague and ambiguous and largely directed at shoring up an illegitimate system; they often functioned in an unco-ordinated manner; they were not subject to any effective and credible oversight and control mechanism; they were characterised by an uneven distribution of resources between the traditional white and black areas; and the approach to fighting crime did not include addressing the main causes thereof.

Transformation of the security and criminal justice functions was therefore essential in bringing about legitimacy, accountability and effectiveness, while at the same time striving to reduce the levels of crime and enhance stability and security. The transformation process has resulted in the departments being subject to effective, credible and yet

uneven oversight and control mechanisms. Further, the departments have played a critical role in reducing political violence and securing the various electoral processes.

Outside the country, the security services are no longer involved in destabilisation activities but instead involved in peace support and disaster-relief operations.

As a result of the integration process, the composition of the cluster departments is representative of the South African population – in respect of gender, disability and race. The integration process has also enabled the Government to develop and implement uniform rules for these departments throughout the country. This has been particularly important in respect of the courts, the intelligence, police and defence functions.

Efforts directed at enhancing the capacity of the justice and security departments constituted an important element of the transformation process. These interventions have yielded results in certain instances, for instance the Automated Fingerprint Identification System (AFIS) is helping the police process

investigations more quickly and efficiently. The equipment that has been purchased for the South African National Defence Force (SANDF) is expected to enable it to effectively patrol South Africa's Exclusive Economic Zone and thereby protect international maritime traffic, combat transnational organised crime, including sea piracy and the illegal exploitation of South Africa's maritime resources. Owing to its enhanced capacity, the SAPS is involved in capacity-building programmes in several countries: Mozambique, Sierra Leone, Burundi, Tanzania, Uganda and Kenya.

There remains a need for the justice and security departments and agencies to improve their functioning, and to this extent, they need to further improve co-ordination and, in respect of the police in particular, it would be important to further pursue optimal resource utilisation.

Transformation of the judiciary

Foremost in respect of transforming the judiciary has been the notion of substituting the suprema-

cy of Parliament with that of the Constitution. This shift has repositioned and redefined the independence of the judiciary. The Judicial Services Commission and the Magistrates Commission have made important progress regarding the appointment of members of the judiciary and this has led to an evolution of a singular judiciary that is increasingly representative of South African society. Certain challenges still persist in this regard: the shortage of skilled and experienced black lawyers who can be considered for appointment to the Bench; the orientation of training and outlook in the country's law schools and consequently the judiciary itself; and the conditions of service which are not attractive enough to some lawyers who could be considered for appointment to the Bench.

Over the past few years, many in the judiciary have shown a profound understanding of constitutional imperatives and set out to defend the basic law of the land. This includes many judgments particularly by the Constitutional Court which have reflected progressive interpretation of the Constitution and social rights in

particular. Government's response to court judgments has been respectful and helped reinforce the legitimacy of the courts.

Yet in an evolving polity, the issue of the appropriate balance among the three centres – the judiciary, the executive and Parliament – is one that will continually be contested.

At the extreme end of the scale, there have been few instances where individual judges have sought to make patent political statements contesting details of government policy. On the other hand, there have been debates about judgments that are perceived to reflect the racial stereotypes of the past, as well as about a tendency among some to show fixed positions against the Government.

Overall, the debate about the balance among the three centres of the State arises in part from the question whether the judiciary may be tempted to position itself as a "meta-state", above the other centres – a contestation that has arisen in other polities around the issue of "judicial activism". This

does raise fundamental questions about the value of the democratic mandate and electoral process within parameters of the Constitution, and the policy choices and trade-offs in the detail of policy-making.

Reducing crime and enhancing stability

The strategy and plans of the Government in this regard have been anchored within the National Crime Prevention Strategy (NCPS). The two elements of the NCPS that have borne visible results have been the National Crime Combating Strategy (NCCS) and the Integrated Justice System (IJS).

There is evidence that the Government is beginning to make an impact on the crime situation. Serious crime levels in South Africa are continuing to come down or stabilise. Data shows that, with the exception of "common assault" and "other theft", all 20 serious crime trends and the four sub-trends of robbery with aggravating circumstances have recently either stabilised or are decreasing compared to the fig-

ures since 1994. It should also be noted that the system of gathering and processing statistical data has had to be massively improved.

The increase in common assault does not represent a real increase, but is the result of specific definitions of crime and of counting rules that were implemented during the optimisation of crime statistics that were in effect from July 2000 to May 2001. The increase in "other theft" was insignificant (0.7%). Internationally it is accepted that murder is the one crime trend which is not significantly influenced by over-reporting or underreporting. Data indicates a very constant and significant decrease in murder between 1994 and 2002. The total decrease between 1994 to 2003 was 30.7%. Aggravated robbery has persist-

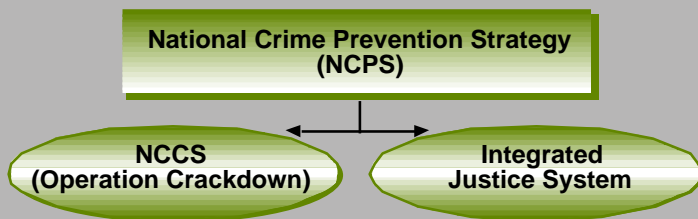
ently increased since 1996 while other types of robbery have gone up since 1994. It should also be emphasised that close on to 50% of all robberies relate to cellphone theft or misplacement, with high reporting rates for insurance purposes. The so-called high-profile robberies, namely vehicle hijacking and bank-related robbery have gone down 33.7% and 52.2% since data was first recorded in 1996. Whereas these robberies accounted for a quarter (26.6%) of all aggravated robberies reported since 1996, they accounted for 12.8% of all such robberies during the last year.

These trends were achieved within two years since the implementation of the NCCS (better known as Operation Crackdown). An analysis of all the stabilising trends indicates that significant decreases were actually achieved over the

Reducing crime and enhancing stability

Crime incidence	Period	Quantity
Murder	1994 - 2003	30.7% decline
Vehicle hijacking	1996 - 2003	33.7% decline
Bank related crime	1996 - 2003	52.2% decline
Cell-phone theft	1994 - 2003	50% of all robberies

- ▼ **Stabilising trends achieved within two years since implementing the NCCS**
- ▼ **Analysis indicates some cases of stabilisation can easily turn to decreases if a little more effort is spent**



short term (2001 – 2002) in most cases. Some cases of stabilisation can easily turn to decreases if a little more effort is spent.

The IJS, on the other hand, through its three sub-programmes (the awaiting trial prisoner project; the reception, channelisation and trial readiness programme; and the pre-trial services programme), has resulted in the speedy finalisation of cases; an improvement in the quality of dockets; and an increase in conviction rates.

Evidence of these improvements are reflected in conviction rates which increased from about 78% in 1999 to 81% in 2002. Statistics from a few sampled IJS court centres illustrate that in April 2003, the average case preparation

cycle time had reduced from 110 days to 71 days, an improvement of 39 days. In April 2003, there was also an increase in the time of court activity by 29 minutes. In respect of trial readiness of cases, the percentage of cases on the court roll that were ready for trial decreased on average from 39.9% to 35.7% (an improvement of 10,5%) in April 2003 and from 39.9% to 36,7% (an improvement of 8%) in May 2003.

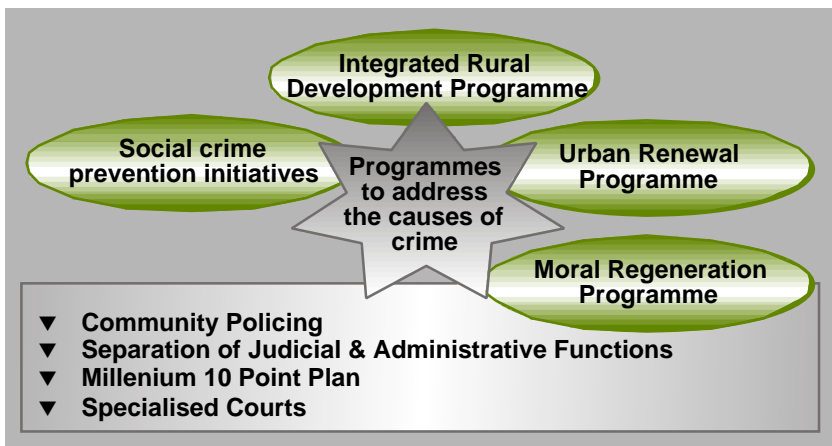
The elements of the NCPS that require further implementation relate to the need to address the causes of crime. Important programmes in this regard are the social crime prevention initiatives, the Integrated Rural Development Programme, Urban Renewal

Programme and select elements of the Moral Regeneration Initiative. The cluster has implemented various other initiatives (that complement some of the outcomes referred to above) that are designed to improve its effectiveness and efficiency. These have been Community Policing; the Separation of Judicial and Administrative Functions; the Millennium 10 Point Plan; and the Specialised Courts.

Research reveals that the Community Policing Policy Framework had the most impact in the police service in terms of the manner in which members approached and interacted with those they served. The Community Police Forums (CPF's) have improved the relationship between

the police and communities and have led to a relationship of trust between the two. The partnership with Business Against Crime has led to an 80% decline in street crime in targeted city centres and has increased the response time to crime scenes by the police. The implementation of the social crime prevention however, remains uneven and this is largely due to poor co-operation and co-ordination between government departments and across the different clusters and spheres of government.

The separation of judicial and administrative functions involved the freeing of judicial officers of their administrative tasks thereby enabling them to spend more time in court. This initiative has been



successful in some courts because it allowed productivity by presiding officers to increase. This has led to a reduction in case backlogs, as well as a reduction in the number of postponed cases. The Millennium 10 Point Plan, in part, has introduced the Saturday and Additional Courts, which have contributed to a finalisation of cases and a reduction in the backlog of cases pending trial. In respect of the Sexual Offences Courts, the personnel are better trained regarding how to deal with victims and witnesses and specialised training has been provided for the prosecutors. A combination of the above and other factors has resulted in improved effectiveness.

The final component of the criminal justice system is Correctional Services. The challenge for this component is to deal with overcrowding, develop and implement an effective rehabilitation programme, fight corruption in prisons and within the ranks of officials, improve prison conditions and maintain the safe custody of prisoners. Various initiatives have been implemented in order to alleviate the problem of overcrowding in prisons. Among others, these

have been the building of new prisons; the introduction of alternative sentences; the promotion of correctional supervision; the awaiting trial prisoner project and the parole system – inclusive of Presidential pardons. In terms of security in prisons, escapes had been reduced from 1 244 in 1996 to 325 in 2002. These include escapes from prison, court, work teams, public hospitals and during transportation.

The above initiatives have only yielded limited results. It is evident that improved efficiencies in the police and the justice system (as a result of the training of detectives, the AFIS, the IJS initiatives, to name a few examples) are going to compound the problem of overcrowding.

Correctional Services have indicated that with a 60% repeat offender rate it has not been implementing an effective rehabilitation programme (and programmes that would be employed to re-integrate prisoners into families, communities and society at large) for its various categories of prisoners but this is currently receiving urgent attention. Furthermore, it is estab-

lishing an effective investigative capacity to deal with corruption and other misdemeanours.

It is clear that the cluster requires increased capacities, particularly in respect of the challenge of reducing the backlog of cases pending trial; overcrowding in prisons; developing and implementing an effective rehabilitation programme, among others.

Furthermore, it needs to continue reducing the levels of crime, improve the effectiveness of partnerships with organs of civil society, and enhance co-ordination within itself and with other clusters, notably the social and economic clusters.

High-priority crimes

Sexual assault crimes

Rape levels increased by about 10% after 1994, then remained stable until returning to 1994 levels in the last year. Government has implemented several measures, among which have been an audit of resources that are available to state departments; the segmenting of victims, notably children, for the purposes of deter-

mining risk factors; the revision of the definition of and the requirements for the crime of rape; the establishment of Sexual Offences Courts throughout the country; empowering prosecutors, police, magistrates and doctors with specialised skills; ensuring that dangerous sexual offenders are kept under long-term supervision upon release from prison; the creation of a new crime in respect of child prostitution; the establishment of Specialised Family Violence, Child Abuse and Sexual Assault Units in the SAPS; the implementation of measures that enable victims to co-operate better; and the implementation of minimum sentences in respect of convicted persons.

As a result of the above measures, the capacity of the relevant State institutions to effectively deal with sexual assault crimes has been enhanced. This has led to a high conviction rate of suspects. The challenge remains that rape remains a difficult crime to prevent, particularly from the perspective of state departments. This matter requires partnerships with communities and structures of civil society, inclusive of the media, in order to enhance public aware-

ness and the implementation of preventative measures.

An area of concern in this regard relates to the number of cases that remain unfinalised – either with an acquittal, a conviction or a decision not to prosecute. The number of finalised cases went down from 1998 and this is chiefly caused by withdrawals of cases. For instance, of the cases that were referred to court in 2000, 53% of them were withdrawn.

Organised crime and corruption

As noted above, vehicle hijackings decreased 34% whilst bank-related crime decreased 52% since 1996. White-collar crime has reduced about 24% since 1994 and drug-related crime has remained stable. Various measures have been implemented to help the Government fight criminal syndicates: the creation of the Directorate of Special Operations (DSO), the enactment of the Protected Disclosures Act, the Prevention of Organised Crime Act and the Financial Intelligence Act. The above measures facilitate easy detection of criminal activities, in part because they protect whistle blowers (Protected

Disclosures Act), enable the Government to confiscate benefits accruing from criminal activities and create an intelligence organisation that co-ordinates efforts of the private and public sectors, particularly against money laundering. The Interception and Monitoring Bill will enable the intelligence and law enforcement agencies to monitor communication over cellular phones.

The fight against organised crime has also been pursued in partnership with multilateral organisations and regional countries. This co-operation has yielded good results: significant arms caches have been identified and destroyed in Mozambique and approximately 741 stolen vehicles were recovered by January 2002. The cluster has registered significant gains against organised crime syndicates. For example, more than 200 syndicates had been neutralised out of 300 that were identified and investigated.

The Specialised Commercial Crime Courts have recorded high productivity (an average 4.5 and 4.67 hours per day) and conviction rates. Regarding the latter, the

conviction rate in 2001 was 86%. In 2002 it was 96.2% and by mid-2003 it stood at 93.54%. The DSO on the other hand achieved an 85% conviction rate in the years 2001 and 2002. This was accompanied by an increase in the number of arrests in 2002 and 2003. The Criminal Assets Recovery Unit won more than 129 forfeiture orders involving R76 million and frozen assets worth more than R500 million. The police have arrested more than 2 000 syndicate members during the period under review and seized illicit assets worth more than R4 billion.

Border control

With regard to borderline control, the South African National Defence Force has been assisting the SAPS execute this function. The deployment of the SANDF has resulted in the arrest and deportation of thousands of illegal immigrants, the confiscation of stolen vehicles and illegal firearms, and the confiscation of fraudulent and illegal Identification Documents and Passports, to name but a few. In respect of control in ports of entry, the cluster has developed a system that will

facilitate trade and commercial activities and enable the relevant departments to combat cross-border crime and other threats to national security. This has entailed upgrading the infrastructure, including ICT in select and priority ports of entry, rationalising responsibilities among the relevant departments and entering into agreements with the neighbouring countries, particularly in respect of operating procedures, amongst others.

Border control, however, continues to have serious challenges – the absence of an overarching strategy, inadequate infrastructure, particularly information and communication technology, inadequate resources, and uneven security standards across the relevant facilities (airports, harbours and land ports of entry).

Taxi violence

Various initiatives have been implemented to reduce and eradicate this phenomenon such as the development and implementation of guidelines and regulations in respect to access to ranking facilities and routes. Other operations

were instituted with a view to investigating, arresting and prosecuting the perpetrators of taxi violence. These operations have resulted in a number of people being convicted for various transgressions. Furthermore, several illegal firearms and stolen vehicles were confiscated. These interventions have arguably reduced the incidents of taxi violence but it has not been eradicated. Sporadic attacks continue to take place as well as the extortion of funds from members of taxi associations.

Illegal firearms

The cluster has implemented various initiatives geared at regulating ownership of legal firearms and reducing the number of illegal firearms: the campaign that called on people to voluntarily hand over their firearms; the destruction of redundant fire-arms that were in the possession of the SAPS; the auditing of firearms that were in the possession of various government departments; operations that were launched in order to trace and recover illegal firearms in high-crime areas; joint operations with the Mozambican authorities to investigate and destroy caches of

weapons, and participation by the cluster in the development of the UN Protocol against Illicit Manufacturing of and Trafficking in Firearms. As a result of the above operations and interventions, the cluster has destroyed in excess of 80 000 firearms.

The cluster has further implemented other measures: new control measures have been implemented in ports of entry; the harmonisation of permits for firearms and ammunition; the standardisation of firearms that are used for policing purposes and measures that are intended to further regulate the continued ownership of firearms that would have belonged to deceased persons. However, indications are that these measures have not as yet totally stemmed circulation of illegal weapons.

As a result of Operation Rachel, which is conducted in co-operation with the Mozambican authorities, the police realised the following gains between 1995 and 2003. They destroyed 25 838 rifles; 4 786 sub-machine guns; 13 798 106 small-arms ammunition; 13 503 grenades; 12 448 mortar bombs; 2 040 light and heavy

machine guns; 13 057 projectiles/ rockets/ missiles, to cite a few examples. The impact firearms have on serious and violent crimes suggests that more work is required in this regard.

Security

Several challenges have been dealt with in this regard: improving security in government, seeking to end political violence and bringing to an end the spectre of urban terrorism.

The security of government

Notwithstanding the various initiatives that have been implemented, the security of government remains inadequate. This is particularly the case in respect of the state of protection accorded to Very Important Persons and their residences; the security of government information (which is compounded by the absence of an enabling policy regarding vetting); and the general uncertainty that attends the state of readiness of security-related disaster management systems.

Political violence

The political interventions that were implemented have evidently reduced the levels of political intolerance and violence particularly in KwaZulu-Natal, and some areas of the Eastern Cape and Gauteng where some incidents persisted after 1994. Parties now tend to use Constitutional and legal means to settle disputes and achieve their objectives, though isolated incidents do occur. As a result of the operations, several suspects were convicted, though not all cases have been fully pursued.

The Truth and Reconciliation Commission process has run its course and has in many respects been commendable in identifying the root causes of political violence, but also broadly matters pertaining to gross human rights violations. Work continues to implement its recommendations and take forward the objectives of national reconciliation and restoring the dignity of victims.

Terrorism

During the period under review, the Government dealt effectively with the spectre of terrorism, predominantly in three respects:

urban terrorism, right-wing extremism and international terrorism. The Government sought to bring the phenomenon of urban terrorism to an end, in part, through investigating and prosecuting the people who were responsible for terror. On account of co-ordinated operations between intelligence and law enforcement agencies, the Government was able to convict the perpetrators. This success led to an almost complete end to this phenomenon in the Western Cape in particular.

Lately, white right-wing terrorist groups have sought to challenge the legitimacy of the democratic State and perpetrated acts of terror. On the basis of co-ordinated investigations, the law enforcement authorities uncovered the plans of the affected people, confiscated large amounts of firearms, ammunition and explosives, prevented some assassination plans and arrested and are prosecuting more than 20 suspects. The law enforcement authorities have been in liaison with their counterparts abroad with respect to international terrorism. Furthermore, the Government is implementing the relevant resolutions of the UN in

this regard.

Conclusion

In broad terms, the policy framework and the priorities that the cluster has implemented continue to be valid. What is evident is that the capacity of the justice and security departments requires to be systematically enhanced in order to accelerate service delivery. This requirement is urgent in respect of the criminal justice system – particularly the need to sustain the interventions that have been implemented with a view to alleviating the backlog of cases pending trial. A corresponding initiative will have to be implemented in Correctional Services, particularly the urgent need to develop and implement an effective rehabilitation programme. Evidence from the JCPS and Social clusters however indicate that crime will not be significantly reduced without the involvement of ordinary citizens and systematic efforts to deal with the corrupt fifth column in security-related departments. Although government has been building effective crime prevention partnerships with civil society, it also needs to focus on moral regeneration and

nation-building in order to improve the overall environment and to promote crime prevention.

3.5 International Relations, Peace and Security (IRPS)

Policies and objectives

Some of the most significant changes in government policy since the inception of democracy in 1994 have occurred in the IRPS functions of the State. In 1994, the new Government set out to achieve the following broad objectives through the functions and activities of various departments:

- transform the foreign, defence and intelligence organisations and functionaries, including appropriately training and equipping South Africa's diplomats to promote the country's IRPS priorities
- ensure South Africa's acceptance into the community of nations and establish relations with other countries
- image, brand and market South Africa
- expand and diversify trade relations, and attract FDI

- promote and deepen international co-operation in S&T
- promote international respect for human rights and democracy
- promote international peace, security and stability (including international crime prevention and management)
- prioritise commitment to the interests and development of Africa
- promote South-South co-operation and the transformation of North-South relations
- reform and strengthen the multilateral rules-bound political, economic, security and environmental organisations in order to advance the interests of developing countries.

While South Africa has made significant progress in international relations since 1994, some objectives have been difficult to promote, while others need greater effort if they are to be fully realised. The performance and success of a country's international relations policies are contingent upon a range of other actors and variables in the international arena, including states and non-state organisations, of which the latter are often better

IRPS functions seek to advance SA's domestic priorities

- | | |
|--|--|
| <ul style="list-style-type: none"> ▼ Nation-building ▼ Security ▼ Distributive wealth creation ▼ Employment ▼ Trade creation and diversification ▼ FDI ▼ Security interests: military, economic, social, environmental | <ul style="list-style-type: none"> ▼ Integrated policy-making in area of mutual vulnerabilities and plethora of 'new' security threats: <ul style="list-style-type: none"> - Illegal migrants - Refugees - Illicit small and light arms - Narcotics trafficking - Communicable diseases - Terrorism, trans-border crime |
|--|--|

resourced than smaller countries. Unlike many domestic policies under the direct control of government, external issues, particularly peace and security, are complex as its dynamics are determined by many international, regional and local variables. There is, however, a general agreement that South Africa is playing a leading role, especially in advancing the interests of developing countries. This derives from, among other factors, the geographic location of the country, the policy challenges facing South Africa at the confluence of global socio-economic challenges, the nature of our history and transition to democracy, and the quality of the country's leadership. The challenge is thus to use this influence to promote South

Africa's international relations and domestic objectives.

The IRPS functions seek to advance South Africa's national interests, particularly as these relate to nation-building, the promotion of human rights, security, distributive wealth creation, employment creation, trade creation and diversification, and inflows of FDI. South Africa's security interests have been broadly conceptualised to incorporate military, economic, social and environmental issues. This is important for integrated policy-making, particularly in an era of mutual vulnerabilities and a plethora of "new" security challenges, including terrorism, flows of illegal migrants and refugees, illicit small and light arms

trade, international crime syndicates, money laundering schemes, narcotics trafficking, environmental degradation, the spread of communicable diseases (such as HIV/AIDS), and trans-border crime. South Africa has also sought to focus the international agenda on addressing poverty and the under-development of the South.

Transformation and restructuring of IRPS functions

All government departments have had to transform and restructure since 1994. This has been a particularly important task for those departments mandated with formulating and implementing South Africa's IRPS priorities, as these departments represent and project the 'face' of South Africa internationally but were in the past complicit in preserving the old Apartheid order.

The Defence component of the cluster has its own values and culture. It was created through the successful integration of former members of statutory and non-statutory forces from seven different military backgrounds and cultures. Legitimacy in the eyes of the

population has been achieved by a number of means, such as adopting a new security doctrine and ethos, becoming more representative of the South Africa population; rigorously applying affirmative action; successfully adjusting to being an all-volunteer force; successfully implementing civil oversight and adopting new symbols. Defence has faced, and continues to confront, numerous departmental challenges, including aligning regional expectations, the force design and the defence budget; introducing new weapon systems to modernise the South Africa Air Force and South Africa Navy; implementing a human resource strategy to rejuvenate the SANDF and to feed the Reserve Force; creating a smaller but more effective SANDF with increasing responsibilities; building an effective Early Warning Capability through increased intelligence and defence foreign relations capacity; and developing a unique defence culture for South Africa, particularly under the impetus of operational deployments for peace missions. By the end of the first decade of freedom, most of these departmental challenges have been successfully met, managed or resolved.

The Foreign Affairs component of the cluster started off after 1994 with a highly fragmented and ideologically polarised staff, and the integration of the old bureaucracy with the new corps of officials was not always a smooth process. Related problems have been insufficient capacity, human resource development and performance management. The transformation and the alignment of Foreign Affairs with South Africa's foreign policy principles occurred in three phases. The first was a critical assessment in 1996 of the key global challenges facing South Africa's emergent foreign policy. The outcomes of the process was a focus on protecting and promoting South Africa's national interests and values, the re-positioning of South Africa in the global environment, and the recognition of the interdependence of foreign policy with economic and security issues. A second significant development identified two broad but mutually interdependent categories, namely wealth creation and security. The third phase, commencing during 2000, included as a central priority the vision of the renewal of Africa, the eradication of poverty and

underdevelopment, and the development of a just and equitable world. As an extension of this phase, during 2001, Foreign Affairs undertook an assessment of its capacity requirements which indicated that it was not adequately capacitated to fulfil its mandate and to achieve its vision.

The intelligence services jointly and separately provide information on internal and external security and related matters. Official National Intelligence Priorities were defined in terms of broad categories, such as economic and crime intelligence or intelligence related to political developments in the region, continent and in a global context. These priorities formed the basis of their programme of work and services to key clients. Since then, Intelligence has prioritised and honed its functions and delivery system (particularly its geographical and thematic focus), and equipped and positioned the services' human, technical and other resources to efficiently and successfully fulfil its intelligence production requirements. Some progress in all dimensions of the transformation imperative has been recorded.

foreign commercial representation.

Diplomatic normalisation

South Africa has successfully normalised its relations with the world. The country has joined all significant regional, continental and multilateral institutions, and is actively promoting its own interests (political and, economic) as well as that of Africa and the South. South Africa has built bilateral relations with Africa, the South, and strengthened relations with the North. The indicator for this is the significant level of formal diplomatic representation abroad, which includes increased defence and

A second indicator is the number of multilateral conferences and major events which the country has hosted since 1994. These include: the United Nations Conference on Trade and Development (UNCTAD) IX Summit (1996), Non-Aligned Movement Summit (NAM) (1998), Commonwealth Heads of Government Meeting (1999), World AIDS Conference (2000), UN World Conference Against Racism, Xenophobia and Related Discrimination (2001), World Summit on Sustainable

		Growth in diplomatic relations by number of states at selected intervals			
		Sep 1989	Mar 1993	Mar 1994	Jul 1995
SA's representation abroad		44	68	107	118
Foreign representation in SA		41	57	80	102
South African Representation Abroad		Foreign Representation in South Africa			
Embassies/High Commissions	76	Embassies/High Commissions		107	
Consulates/Consulates General	12	Consulates/Consulates General		53	
Honorary Consulates	54	Honorary Consulates		7	
Other (e.g. Liaison Office)	4	Other (e.g. Liaison Office)		4	
Non-resident Accreditations	101	Non-resident Accreditations		15	
International Organisations	7	International Organisations		23	

Conferences and/or Events	Date
UNCTAD IX Summit	1996
Non-Aligned Movement Summit	1998
Commonwealth Heads of Government Meeting	1999
World AIDS Conference	2000
African Union Summit	2002
UN World Conference Against Racism	2001
World Summit on Sustainable Development	2002
African Ministers of Finance, Econ. Dev. & Planning	2002
Rugby World Cup	1995
African Cup of Nations	1996
Athletics World Cup	1998
All Africa Games	1999
Cricket World Cup	2003

Development (WSSD) (2002), and the African Union (AU) Summit (2002). South Africa has also hosted a number of hallmark sports tournaments, including: the Rugby World Cup (1995), African Cup of Nations (1996), Athletics World Cup (1998), All Africa Games (1999) and the Cricket World Cup (2003). These events have raised South Africa's international profile, and have generally had a positive impact on the South African economy.

South Africa's re-entry into the international arena in 1994 required that the country expand its foreign representation to countries that had no previous relations with South Africa. This necessitated recruitment, capacity-building,

training and transforming of South Africa's diplomatic corps. The current racial demographics at foreign missions abroad has greatly improved since 1994 to reflect South Africa's diversity, namely African (50%), white (37%), Indian (8%) and coloured (5%). Research reveals that South Africa's diplomats, given their limited resources, are functioning effectively. It is, however suggested, in light of the multifaceted and complex nature of international relations, that the work and programmes of government's various training institutions (e.g. Justice College, South African Management and Development Institute, NIA, Migration Training Unit in DHA, and the Foreign Service Institute) should be co-

ordinated and integrated more effectively.

Image, brand and market South Africa

Since the late-1990s, government has embarked on an active imaging, branding and marketing campaign of South Africa. This includes government initiatives, support for non-governmental initiatives (e.g. Proudly South African campaign), hosting a number of hallmark events (major sports festivals and UN conferences), and the creation of the International Investment Council (IIC), the International Marketing Council (IMC), and the International Task Force on Information Society and Development.

These events appear to have been instrumental in accounting for the upsurge in tourism to South Africa, in addition to an attractive exchange rate for tourists and perceptions of the country as being relatively safe from extremist acts. Government

has also promoted new forms of tourism (eco-tourism, cultural tourism, adventure tourism, World Heritage Site tourism, conference tourism and sports tourism). Three Transfrontier Parks have also been established: the Kgalagadi Transfrontier Park (South Africa and Botswana) launched in May 2000; the Great Limpopo National Park (South Africa, Zimbabwe and Mozambique) launched in December 2002, and the !Ai-!Ais/Richtersveld Transfrontier Park between South Africa and Namibia, launched in July 2003. The increase in tourism, described below, is also reflected in the fact that the number of international airlines servicing South Africa has increased from 53 in 1994 to 64 in 2003 with many more flights now being scheduled than in the pre-1994 period.

In terms of marketing strategies, South Africa has actively and creatively moved towards the development of a brand identity for South Africa that is decidedly less

International Tourist Arrivals

1998	1999	2000	2001	2002
5 731 424	5 890 514	5 872 254	5 787 370	6 429 583

centred upon personal iconography, critical though this may be during particular stages in the evolution of a polity. The challenge is to move towards a cultural marketing policy as the basis for projecting South Africa as more than just a tourist destination, but as a provider of a host of other goods, services and high-tech industries.

Economic relations and international trade: Expand and deepen economic ties with Africa and internationally

Trade diversification and negotiations

South Africa has demonstrated a strong commitment to promoting the interests of the African continent. Government has successfully diversified and expanded South Africa's trading networks and export markets. Apart from the country's traditional trading partners, South Africa has developed more extensive relations with South America, Asia and Africa. As part of its trade strategy, the Government has identified a number of "strategic partner" countries with which to develop economic relations through bilateral Free

Trade Agreements (FTAs), although it is not seeking FTA negotiations with all of them at this stage. South Africa has also successfully concluded, or is currently engaged, in a number of multilateral trade negotiations:

- The WTO: SA played an important role in the launch of the new WTO Doha Round (which emerged with a developmental agenda).
- The Trade and Development Co-operation Agreement (TDCA) with the European Union, which came into effect on 1 January 2000 (with the Wine and Spirits Agreement not yet ratified, and no agreement on Fisheries).
- The SADC Trade Protocol was signed in 1996, and subsequently there were negotiations around revised rules of origin.
- The new SACU Agreement was concluded in October 2002.
- SACU-EFTA negotiations to establish a Free Trade Area (FTA) were held in May 2003 (to be concluded in January 2005).
- SACU-US FTA negotiations started in May 2003 (to be concluded in January 2005).

- Substantive FTA negotiations with China, India and Mercosur are due to begin as soon as the exploratory phase underway is concluded (26.4%) and tertiary sector (45.5%).

FDI inflows

South Africa's investment climate and regime have undergone significant transformation and liberalisation since 1994. A number of policies and interventions have been implemented to significantly increase South Africa's attractiveness to foreign investors. Since 1994, South Africa has recorded net positive FDI inflows, although, as can be seen from the table below, foreign investment has remained relatively low and has fluctuated. FDI stock as a percentage of GDP in 2000 was distributed as follows: primary sector (28.9%), secondary sector

Most FDI inflows have entered South Africa through state-leveraged deals and the privatisation of state assets. Export-oriented efficiency-seeking manufacturing investment has been actively promoted in order to generate employment, transfer skills, and stimulate innovation and exports in local firms (e.g. the automobile and components industries). South Africa is also a capital exporter as domestic companies internationalise by investing in Africa (southern Africa in particular) and offshore. Government has encouraged investment in Africa through the phased liberalisation of capital controls.

Regional integration in southern Africa

Capital movements in SA (R mn), 1994 – 2002

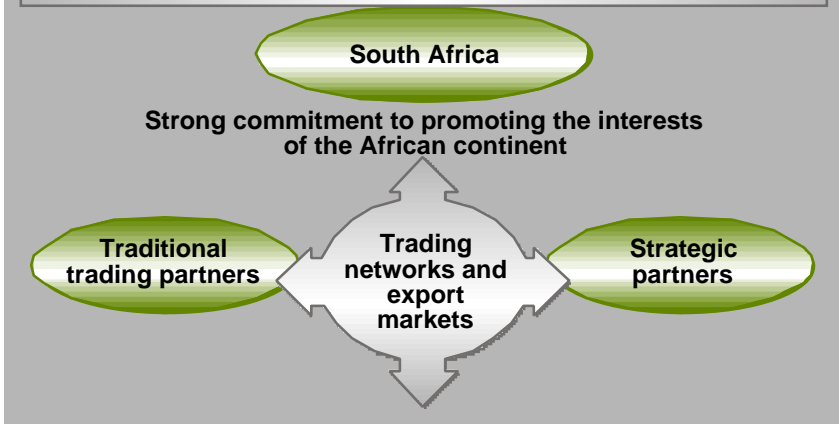
Foreign liabilities	1994	1995	1996	1997	1998	1999	2000	2001	2002
Direct investment	1348	4502	3515	17 587	3104	9184	6158	58 404	7929
Portfolio investment	10 298	10651	17983	51 563	50 452	83 883	11 793	-24 000	5348
Other investment			7492	-1330	6534	-9322	10 828	-18 121	-1162
Foreign assets									
Direct investment	-4388	-9059	-4485	-10 831	-9841	-9659	-1878	27 359	4216
Portfolio investment	-290	-1631	-8407	-20 983	-30 077	-31 537	-25 628	-43 626	-9619
Other investment			-2704	-8957	-2872	-10 034	947	-12 324	12016

In the past ten years, South Africa has promoted regional integration predominantly within the context of the SADC, the SACU and the Common Monetary Area. The launch of NEPAD has provided much-needed long-term political direction to South Africa's regional integration efforts in Africa. In line with the decisions taken at the SADC Summit in Mozambique in August 1999, South Africa has supported the restructuring of SADC. The Regional Indicative Strategic Development Programme (RISDP), one of the products of restructuring, is intended to provide SADC member states with a coherent and comprehensive development agenda on social and economic policies over the next decade, with clear targets and time frames. The challenge is to ensure that the RISDP is aligned with the NEPAD vision, and to build sufficient capacity within the SADC Secretariat to make it an effective implementation agent for NEPAD and the AU. Furthermore, South Africa has driven and provided technical input to establish a framework for macro-economic convergence in the region. South Africa also co-operates with SADC in the Regional Energy Planning Network.

Continental affairs

South Africa played a leading role in reconstituting the Organisation of African Unity (OAU) into the AU as a more effective pan-African continental body, and in crafting and promoting the Millennium Development Plan, and the New Africa Initiative, which came together with the OMEGA Plan to make up NEPAD. NEPAD was launched as the socio-economic programme of the AU at the Durban Summit in July 2001, at which South Africa became the first Chair of the new organisation. One of the most important challenges for the AU's future will be to ensure that the integral organs of the new AU system, particularly the Commission; the Pan-African Parliament; the Peace and Security Council; the Economic, Social and Cultural Council, and the African Central Bank, are put into effect, and that an institutional culture is encouraged whereby the rule-bound structures are effectively used by African states to advance the development of the continent. The African Peer Review Mechanism has been established as a voluntary mechanism with the

Economic diplomacy: Expanding & deepening economic ties with Africa and internationally



mandate to ensure that the policies and practices of participating states conform to the agreed political, economic and corporate governance values, codes and standards contained in the Declaration on Democracy, Political, Economic and Corporate Governance. It is envisaged to be a system of self-assessment, constructive peer dialogue and persuasion, as well as the sharing of experiences among members.

Global affairs

South Africa has since 2001 sought a sustained engagement with the G8 to keep Africa and the concerns of the South on the agenda of the annual G8 delibera-

tions. South Africa's efforts at the continental and regional level are supported by engagements with international financial institutions to shape the international financial and development architecture to become more favourable to African countries and the South. South Africa has promoted the understanding that the International Financial Architecture should promote economic advancement of developing countries, not impede it. Appropriate domestic regulation and institution-building, alongside large-scale technical and financial assistance are critical elements of ensuring net benefits from financial flows. In its capacity as Chair of the Development Committee of the

World Bank, South Africa has made an important contribution to translating the Monterrey Consensus on Financing for Development and the WSSD Declaration into an international implementation framework based on constructive co-operation and mutual accountability between developing and developed countries.

Science and technology

Over the past decade, nearly 30 bilateral agreements have been signed with countries worldwide which provide for co-operation in the fields of materials science, manufacturing technology, biotechnology, sustainable management of the environment, exploitation of natural resources and minerals, astronomy, engineering science and advancement of technologies, medical science and public health, and mathematics and science education. During this period, South Africa also significantly leveraged its position in the multi-lateral S&T arena. In this regard, South Africa has played an important role in raising the profile of S&T on the SADC agenda, particularly developing the S&T compo-

nent of the RISDP; developing a S&T framework for NEPAD; providing leadership in terms of integrating S&T into the agenda of the Africa, Caribbean and Pacific Group of States; and consolidating co-operation and interaction with multilateral S&T bodies. A number of important facilities/initiatives have been established or are in the process of being established with strong international participation, amongst others: the Satellite Laser Ranging System; the Southern African Large Telescope; the High-Energy Stereoscopic System Project; the HIV/AIDS Vaccine Initiative; the Technology Diffusion Programme; the Biotechnology Programme; the Square Kilometre Array Radio Telescope Initiative and the Pebble Bed Modular Reactor.

Promoting international respect for human rights and democracy

It is on the basis of its democratic system and emergent culture of human rights that South Africa has sought to promote international respect for human rights, democracy, and good governance. Government has approached

issues of human rights in concert with other African states and through multilateral mechanisms such as the UN, OAU/AU and SADC. It has also played a meaningful role in the promotion and protection of human rights on the African continent through the guidance of the African Charter on Human and Peoples' Rights. This strategy has been largely successful, although the Government has not yet ratified the International Covenant on Economic, Social and Cultural Rights, and is well overdue with the submission of reports on certain human rights agreements, including the African Charter.

Promoting international peace, security and stability

Bilateral and multilateral initiatives

Since 1994, South Africa has consistently placed a premium on promoting peace, stability and security (including crime management and prevention) in Africa and the rest of the world. The country has actively supported the UN and sought to strengthen its multilateral processes and mandate (e.g. implementing UN Security Council sanctions regimes and resolutions on the

combating of terrorism, reform of peace support operations, and upholding the UN Charter). South Africa has made a number of interventions that have generally contributed to peace, stability and security in several countries on the continent and beyond. These include Angola, Comoros, the Democratic Republic of the Congo (DRC), Lesotho (1994 and 1998), Rwanda, Burundi, Madagascar, Ivory Coast, Ethiopia/Eritrea, Sudan, and East Timor. South Africa was involved in the diplomatic resolution of the Lockerbie case, and has assisted in a number of humanitarian and relief operations in the southern African region.

Within southern Africa, the Government has sought to promote the development of neighbouring countries, so as to consolidate and promote the comparative advantages that each country possesses. This has included active promotion of investment projects and assistance of various kinds. Further South Africa has also, within its means, put into actual practice the principle of debt forgiveness and provided various forms of aid across the

region. It has also taken part in regional and continental initiatives to try and assist in resolving political problems.

At multilateral level, South Africa has been actively involved in the formulation of the Protocol on Politics, Defence and Security Co-operation, which envisages the collective defence and security of the region. In this regard, the Strategic Indicative Plan for the Operationalisation of the Organ on Politics, Defence and Security Co-operation has been drafted. South Africa has also been instrumental in the drafting and finalisation of the SADC Mutual Defence Pact. The South Africa intelligence community is involved in the SADC Early Warning processes, and specifically in the establishment of a SADC Regional Early Warning Centre and national centres in all member countries. During May 2003, impetus was given to the creation of an African Standby Force and Military Staff Committee. South Africa also 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. At global level, South Africa played an important role in the establishment of the International Criminal Court.

Within southern Africa, the Southern African Police Chiefs Co-operation Organisation utilised its Constitution and the Multilateral Police Co-operation Agreement to execute and sustain a number of cross-border operations. In respect of firearms, South Africa played a major role in the development of the SADC Protocol on Firearms and an implementation plan is being effected.

South Africa has contributed to the development of a legal framework in respect of international co-operation to combat crime, domestically, regionally and internationally. Police co-operation agreements have been concluded with countries in southern Africa and beyond.

Peace support operations

South Africa has, since 1999, assisted with post-conflict peacekeeping and has participated in peacekeeping missions in three African countries, namely in

Ethiopia/Eritrea, the DRC, and Burundi. The peace mission to Burundi was undertaken without a comprehensive ceasefire agreement in place. This initiated a new approach to peace support operations. These peacekeeping missions have positively supported the political processes that are still ongoing. It is believed that the likely future areas of involvement on the continent will be in the arena of peace support operations, the enhancement of regional security arrangements, disaster relief and humanitarian assistance. South Africa's ability to contribute to these initiatives is limited by resource constraints, particularly weaknesses in strategic lift capability, availability of the optimum number of helicopters and logistical reach. Research indicates that this will not be fully remedied by the Strategic Defence Procurement Programme.

Reforming and strengthening multilateralism

South Africa has, since 1994, sought to contribute towards the strengthening of a democratic, transparent and rules-bound international political and economic order to advance the interests of

developing countries. This has informed South Africa's position on issues of international security, the environment and trade.

Multilateralism has also provided South Africa with a vehicle through which to advance a number of its IRPS 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, health and HIV/AIDS.

South Africa has used its position within sub-global 'blocs' and 'alliances' – such as the NAM and the Commonwealth – as a vehicle through which to push for the reform of bodies such as the UN, International Monetary Fund (IMF), World Bank and WTO.

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

South Africa has consistently sought the transformation of North-South relations (particularly on security, the environment, debt relief, market access and fairer terms of trade), while consolidating South-South collaboration and solidarity. Its strategy in transform-

ing North-South relations has included an ongoing and meaningful dialogue with the North through bilateral meetings, binational commissions, engagement with the G8 countries, and a series of conferences examining mutual issues of concern such as sustainable development, AIDS and racism. South Africa has been elected to chair various South groupings, such as the NAM, UNCTAD, SADC and AU. South Africa and partner countries still face the challenge of unifying the South behind a common agenda for the reform of international organisations and improving in a meaningful way South-South co-operation.

A new alignment of co-operation between SA, Brazil and India has evolved. A Trilateral Commission between the three countries has been established. South-South relations are not, however, simply about “high politics”. South Africa should also seek to solicit support from its Southern partners for NEPAD projects, particularly where the countries of the South have unique contributions to make.

Conclusion

The challenges facing the depart-

ments in the IRPS were significant given how closely they were aligned to maintaining the old Apartheid order. By thoroughly revising the mission of national security and the principles underpinning the country’s international relations, and by fundamentally transforming the national institutions internally to ensure their alignment with the policies and procedures of the new democratic regime, these institutions have addressed some of the most obvious challenges.

However, like many other large institutions, they are now faced with similar challenges of improving governance, performance and accountability. The post-1994 success of the country in defining its place in the world is remarkable given the resources and capabilities available to it. The IRPS function provides evidence that the Government is able to successfully influence others in an environment where it does not have direct control.

Findings

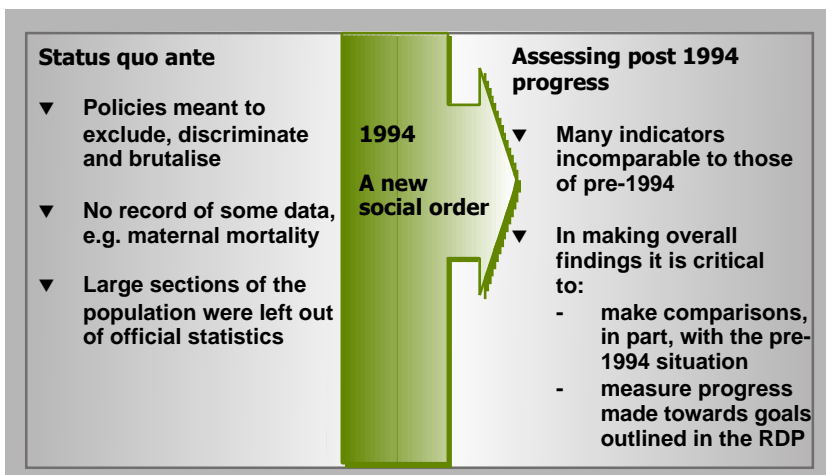
The starting point in assessing the

4 Impact of policies and programmes of the democratic Government should be an appreciation that 1994 ushered in a new social order, with new objectives and detailed programmes to attain these. As earlier indicated, what characterised the status quo ante were policies meant to exclude, discriminate and brutalise.

In many instances, indicators used to assess progress post-1994 would be completely incomparable to those of pre-1994. For instance, because black people had no legitimate form of political participation before 1994, no measure of political participation would capture the quantum change post 1994. In other instances, such as with maternal mortality, the previ-

ous regime did not record data, yet in others, such as with urbanisation, large sections of the population were left out of official statistics. What would therefore be critical in making overall findings is only in part a comparison with the pre-1994 situation, but primarily the measure of progress or otherwise being made towards the goals outlined in the RDP.

In pursuing these goals, the State went through a number of interrelated and intersecting phases. These included the setting up viable state structures including the merger of disparate entities and the protracted process to restructure the Public Service and various public entities; the formalisation of the overall legislative and



policy framework for reconstruction and development; the setting up of a new provincial and local government dispensation, and integration of government work within and across all the spheres. Although all aspects of this work continue in the current period, it is apparent that the emphasis is changing decisively towards implementation.

As can be seen from the details in the previous chapter, in a number of critical areas, and in terms of overall balances, government had to make various trade-offs and take deliberate decisions on the course of action that it followed. These trade-offs related to such issues as the allocation of resources amongst competing demands on the fiscus and choices made between ensuring fiscal prudence and providing real increases in expenditure, especially for the social sector. They also concerned the balance in the allocation of resources between social and economic services during various phases of the period under review. Other choices involved actively promoting the modernisation and improvement of productivity of both the public and private sectors even though it was recog-

nised that there would be negative implications for some of the unskilled components of the workforce. All these trade-offs and choices were made in full recognition of the risks involved, but it was the informed assessment of government that there were no viable alternatives. As is evident from the observations contained in this Review, at times government could have acted more quickly or more decisively or with better co-ordination or sequencing, but there is little or no evidence to suggest that it should have made alternative choices.

4.1 Influence of the State

Reviewing the results of the different themes discussed in the previous section, it should be evident that in most instances the Government is making progress in achieving its stated objectives and most of these are the correct objectives. As will be elaborated later, the pursuit of these objectives proceeded from the premise that transformation is a protracted process, and success has, in the detail, given rise to new challenges.

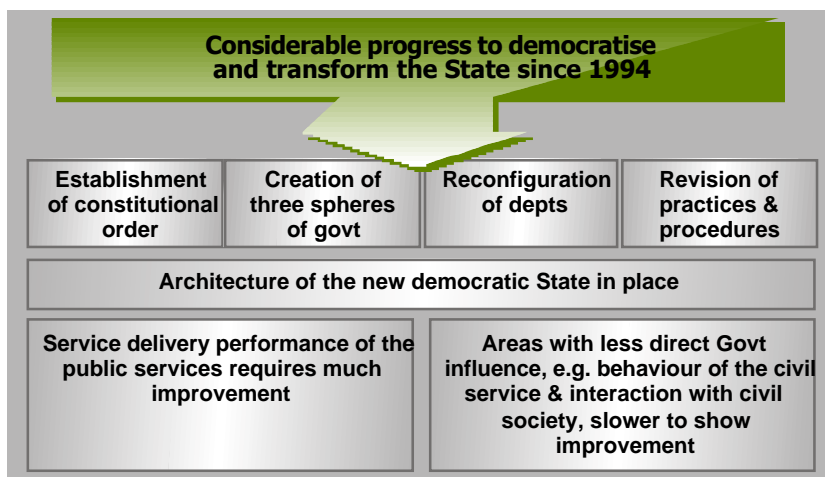
From an assessment of the various themes, it can be seen that the Government's successes occur more often in areas where it has significant control and its lack of immediate success occurs more often in those areas where it may only have indirect influence. However, this distinction is not always consistent across the five themes.

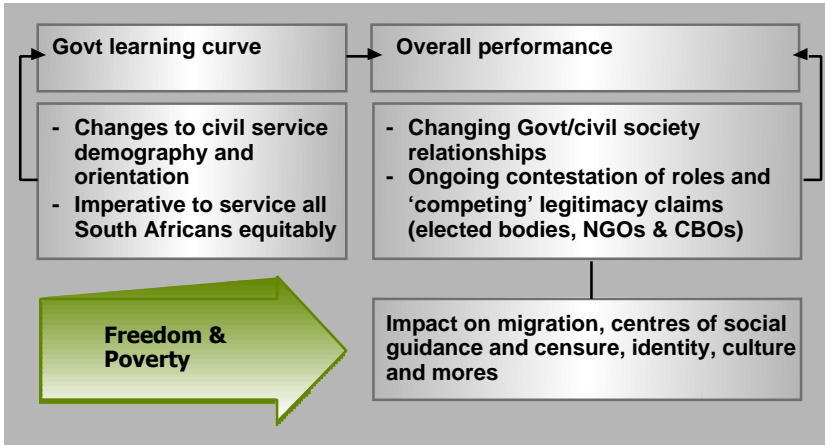
ment of a Constitutional order, the creation of three spheres of government, the reconfiguration of departments and the revision of many practices and procedures. It can be argued that the architecture of the new democratic State is in place, yet in many areas of service delivery the performance of the Public Service requires much improvement.

Governance and administration

In the governance and administration theme, the true dichotomy between power and influence is evident. Since 1994, considerable progress has been made to democratise and transform the State, ranging from the establish-

The dichotomy between power and influence is most profound, because although the elements (the institutions, practices and procedures) over which the Government has control are in place, areas where government has less direct influence, such as with the behaviour of the civil service and interaction with civil soci-





ety, are much slower to show improvement.

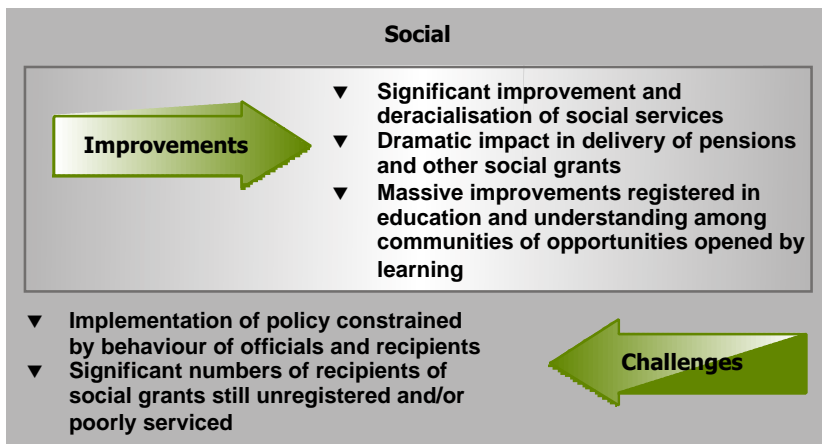
Changes to the demography and orientation of the civil service, and the imperative to service all South Africans in an equitable manner as distinct from the past, has meant that government as an entity has undergone a slow learning curve which has impacted on overall performance.

Related to these behavioural constraints within government are the changing relationships between government and civil society, and the ongoing contestation of roles and "competing" legitimacy claims between elected bodies and NGOs and CBOs. As will be discussed below, the impact of freedom and the provision of improved

services have led to a social transition that has given rise to changes in the centres of social guidance and censure such as the family and the community, and that the fulcrum of identity, culture and mores has shifted in a transforming society and globalising world. These social changes are also impacted upon by poverty, particularly the indignity of unemployment and inability to fend for oneself and family. These issues will be discussed further below.

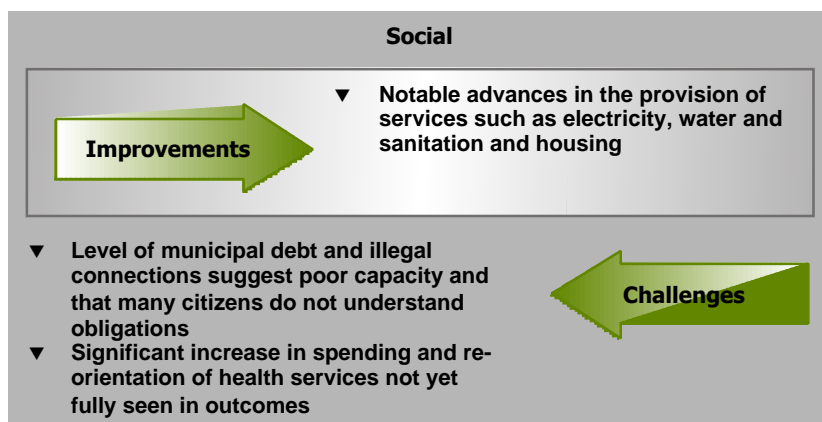
Social

In the social theme, there has been a significant improvement and de-racialisation of social services. The extension of social services, largely a matter of policy, is primarily within the control of



the Government. However, the implementation of that policy is constrained by behaviour of officials and recipients, both of whom are variously not always amenable to effective state influence. In the delivery of pensions and other social grants, the impact of the Government has been dramatic, yet there are still significant numbers of recipients unregistered

and/or poorly serviced. In education, massive improvements have been registered, reflecting also an understanding among communities of the opportunities that are opened up with learning. In health, the main indicators suggest that the impact of a significant increase in spending and a re-orientation of services are not yet fully being seen in outcomes.



Social

Improvements

- ▼ Housing and land reform have made some impact on asset poverty - and women's rights
 - ▼ Communal Land Bill will further advance impact
- ▼ Micro-credit for productive purposes and general access to finance remain a major impediment

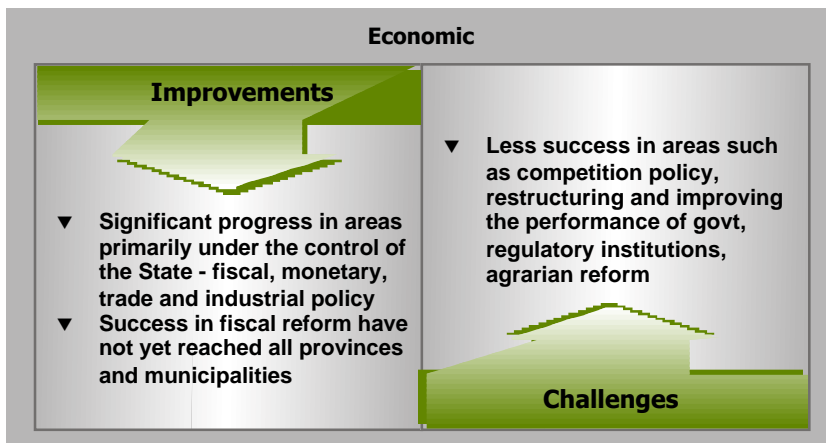
Challenges

There have also been notable advances in the provision of services such as electricity, water and sanitation and housing. However, the level of municipal debt and illegal connections in some areas suggests that many citizens have not yet understood their obligations with respect to paying for such services, besides those who genuinely cannot afford and those engaged in protests linked to poor service delivery. In asset poverty, housing and land reform have made great impact, and it is expected that the Communal Land Bill will also advance this. Also quite striking is the impact this has had on women's rights. However, micro-credit for productive purposes and general access to finance remain a major impediment.

Economic

In the economic theme, it is evident that the Government has made significant progress in the main areas primarily under the control of the State (such as fiscal and monetary policy, trade and industrial policy) but it has had less success in other areas (competition policy, restructuring and improving the performance of government and regulatory institutions and agrarian reform). Even where it has been successful in fiscal reform, these successes have not yet reached a few of the provinces and many municipalities.

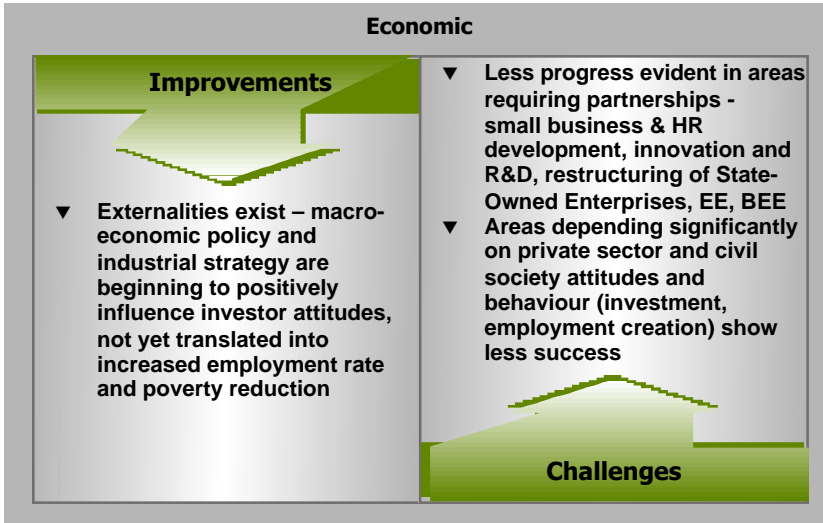
The Government has made less immediate progress in a significant number of areas that require partnership with others (small business development, HRD,



innovation and R&D, restructuring of SOEs and BEE). In those areas that depend significantly on private sector and civil society attitudes and behaviour and are only indirectly influenced by the State (investment and employment creation) it has had even less success.

There are, of course, externalities between these areas. For instance, over the past couple of years it is evident that the soundness of the macro-economic policy and industrial strategy is beginning to positively influence investor attitudes. Unfortunately, this change in attitude has yet to translate into significantly increased employment and consequent poverty reduction.

Though economic policy processes have been sound, one of the key limitations in the implementation of economic policy has been the cost of institution-building. Institutions such as some of the small business agencies, the National Empowerment Fund, the National Development Agency, the Umsobomvu Fund, some of the SETAs, and many local government level economic agencies have taken a great deal of time to become effective. Some key lessons are that the cost of institution building should not be underestimated, and that, where possible, new tasks should be incorporated into the work of existing successful agencies. In addition, some rationalisation of existing institutions



might lead to medium-term gains, though these will have to be weighed against the costs of rationalisation.

JCPS

In the JCPS theme, significant progress has been achieved in improving national security, establishing rule of law and transforming the large institutions that were previously the frontline in the defence of Apartheid. Due to the social transition, and the growth of new forms of organised crime in the post-Apartheid era, the gains in crime prevention and combating have not been as impressive.

In areas where the Government has greater control, such as the upholding of the rule of law (in the political, social and economic arenas), it has made it major gains. In some areas under its control, such as the ICJ system, progress has been slow. Despite significant efforts to ensure greater integration of the crime prevention and criminal justice system, the practices, attitudes and behaviour of particular components of the system have meant that the overall impact on crime requires improvement. Some new initiatives, which seek to bolster the social fabric and involve civil society more directly in addressing the causes of crime, show promise.

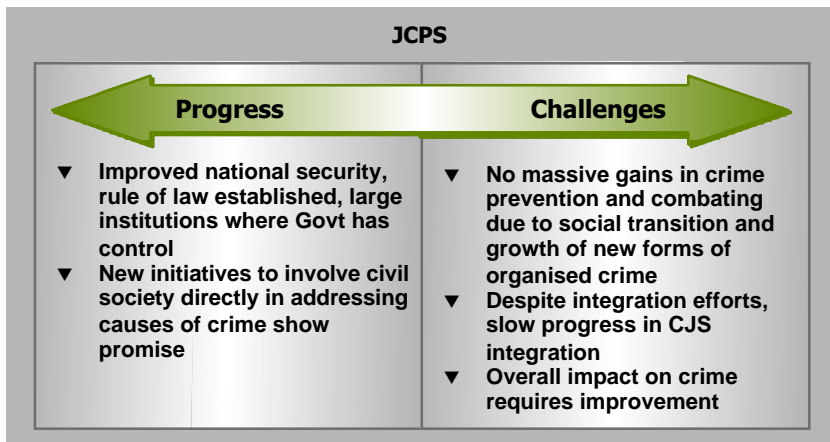
IRPS

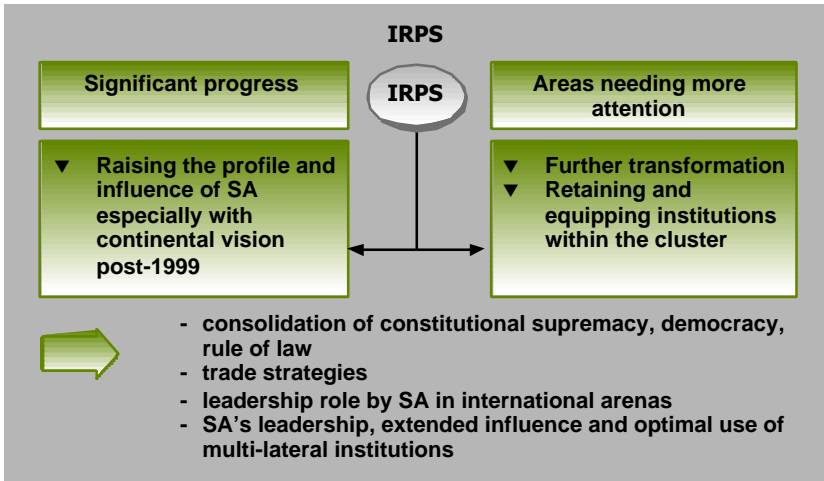
In the IRPS theme, by contrast, most of the achievements reflect that government has made significant progress in raising the profile and influence of the nation in the international and regional environment, perhaps far beyond the capabilities and resources of the country. Part of this success can be attributed to externalities flowing from other clusters, the consolidation of the Constitutional supremacy, democracy and the rule of law, the success of trade strategies and the leadership role played by South Africans in certain international arenas. Part of this success must also be due to the experience of South Africa's

leadership of extending the country's influence and making the most of multilateral institutions. However, it should be acknowledged that there is a greater emphasis of a unipolar world order which has adversely affected developing countries; and successes in this theme should be weighed up against the difficulties the Government has had to face in operating in this milieu.

Ironically, the areas that need more attention in this cluster generally involve the further transformation, retraining and equipping of the institutions within the cluster, all areas that should be in the control of government.

Targeted groups





The Review also sought to understand the impact of government on the targeted groups – children, youth, women, people with disabilities and the aged.

In the discussion of different themes, there was evidence that government was beginning to have an impact on the targeted groups. One of the most significant changes since 1994 is the increased participation of women in governance. South Africa has ensured that close to one third of political representatives in all spheres are women, ahead of the Millennium Development Targets for Correcting Gender Discrimination. The Public Service

also demonstrates an improvement in the participation of women in management although the State has yet to achieve its targets for women and people with disabilities. In the economic theme, it was evident that women were making progress in the professional and technical categories but were still lagging when it came to senior management.

In the social theme, evidence was presented to show the dramatic improvements that had come to the aged and to children from social grants, and with the latter, significant improvements in education and health. There is also evidence from research that whilst there were 13 disability grants per

1 000 in 1993, there are now 29 per 1 000. The racial bias that existed in 1993 no longer applies. Other evidence from the social theme indicates that health and education services are now strongly focused on women and children. Indeed, South Africa has already surpassed the Millennium Development Goals for Gender in Education.

Housing, land redistribution and other services also show significant improvements in gender bias, although the majority still go to male-headed households.

Progress has been made with regard to the employment of women in the Public Service. The most recent reports on the representivity targets indicate that the percentage of women in the public service now stands at 24%, whilst the number of employees with disabilities in the Public Service is 0.012%. However, more needs to be done to attract and retain people with disabilities in the Public Service.

It is also evident that the focus on sexual crimes and the institution of special courts will ensure that women and children receive better treatment by the criminal justice

system. Although the levels of such crimes has stabilised, they remain unacceptably high by international standards. In other words, there are promising trends in this regard, though the ideals of thorough-going equity are still to be attained.

To get a more precise understanding of the impact of government on the targeted groups, the results of Censuses 1996 and 2001 were analysed. Some preliminary analysis follows. All targeted groups would have benefited from the improvement in household services to the poor as described above. Women and youth primarily should have been affected by education, income and employment, whilst the aged would have been affected primarily by income due to the extension of social grants. Children would primarily show improvements in education as well as the CGS for poor households.

Analysis for children was calculated for data falling between 0 and 19 years of age. The primary effect on children is the improvements in education. Nationally, the

highest level of education of members of this group underwent a significant improvement between 1996 and 2001. The clearest indication of this is the sharp decline of 14.4% in the percentage of the group that had no schooling, as well as the double-digit increase of 11.9% in the section of the group that has some primary education.

The African population benefited most from this change with the proportion with no primary education falling from 28% in 1996 to 13% in 2001. The proportion of those with some primary education increased similarly from 42% in 1996 to 55% in 2001. The main areas where we would expect impact on the youth is education and employment. The analysis of the two Censuses shows that there have been

remarkable improvements in education. Nationally, the highest educational level of youth increased significantly between 1996 and 2001, with especially the percentage of youth in the previously disadvantaged groups with a matric or a post-matric qualification as their highest qualification showing a strong improvement. In the case of African males, those with matric as highest qualification increased by 6.3% from 1996 to 2001 and those with a post-matric qualification by 8.3%.

While African females showed a very similar increase in the case of matric (5.9%), the percentage increase in the segment with a post-matric qualification (2.8%) was far below the male percentage figure. In the case of coloured males, those with matric as their highest qualification

Category	Males %		Females %		Total %	
	1996	2001	1996	2001	1996	2001
No schooling	28.00	12.53	25.35	11.93	26.67	12.23
Some primary	42.89	55.79	40.65	51.65	41.76	53.71
Complete primary	7.35	7.82	7.97	8.11	7.66	7.96
Some secondary	19.68	21.25	23.36	24.77	21.53	23.02
Std 10 / Grade 12	2.01	2.39	2.57	3.25	2.3	2.83
Higher	0.07	0.21	0.1	0.28	0.09	0.25

increased by 8.3% and the portion of coloured males with a post-matric qualification increased by 0.7%. Coloured females with a matric experienced a slightly higher increase at 10.0%, while females with a post-matric increased by 2.0%, again slightly higher than the coloured males. The percentage of those youth with no schooling underwent a decline between 1996 and 2001.

As noted by the Statistics Council, the employment and income figures given in the Census should be read in light of the data provided in the various Income and Expenditure Surveys (discussed further below). But, general trends seem to indicate that the positive effects of education have not yet made an impression on the labour market for youth. The main impact of education for women is recorded above (for children and youth). In terms of employment, women have seen some slight gains although the changes have not yet changed the structural gender legacies of Apartheid.

The primary impact of government programmes for the aged

will be in the area of income due to the provision of social grants. In particular, it can be seen that the proportion of women over 60 with no income has declined by almost 5% from 20% to 15%, and the proportion of women over 65 with no income has declined by almost 4% from 16% to 12% largely due to the increased provision of social grants. It is also noticeable that this improvement is also more pronounced for African women. However, whilst government has made great progress in extending social grants, it is evident from these figures that there remains a significant proportion of people outside the social safety net.

As should be evident from the above data analysis, the targeted groups have benefited primarily from government programmes that provide services (household services, education and social grants) but that their position still remains precarious because of the high levels of unemployment.

4.2 Understanding the performance of government

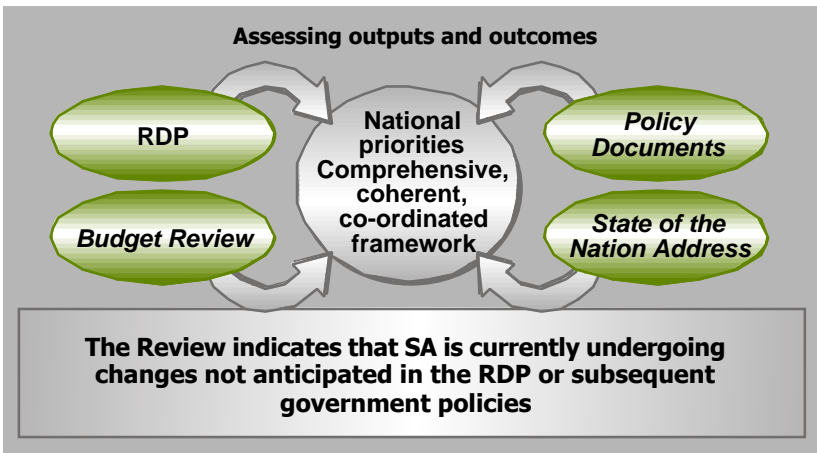
In the above discussion on the

nature of the State, government's performance was interpreted in terms of a framework that sought to highlight the parameters of direct state power. As far as was possible, the themes have sought to provide this assessment and link this to the relationship between outputs (policies and programmes) and outcomes.

How can these outcomes be assessed?

One approach to assessing the performance of government that has been used by the Human Rights Commission (HRC) and the Constitutional Court is based on a notion of 'progressive realisation'. The Constitutional Court in a number of cases has sought to inter-

pret the Government's Constitutional obligations to progressively realise the socio-economic rights contained in sections 24, 26, 27 and 29 (1) of the Constitution (Act 108, 1996). In their comment, the Court sought to recognise that whilst the Government has these obligations, resource constraints do exist and that the Government cannot do more than the available resources permit. The Government is, however, obliged to promote the progressive realisation of these rights through the effective and efficient use of available resources. Whilst the Court has provided some light on what a progressive realisation of such rights would require, it has stopped short of assessing the performance of gov-



ernment. The HRC, in its 4th Economic and Social Rights Report, 2000/01, has used these interpretations to suggest that government may be falling short of its Constitutional obligations to progressively realise socio-economic rights. Unfortunately, the HRC has failed to indicate what an adequate rate of progress may have been, thus obviating much of its valuable assessment of delivery constraints. Much of the problem of defining progress does not lie with the HRC or Courts, but with government itself, and ultimately with the public.

Although the RDP and subsequent policy documents, Budget Reviews, and State of the Nation Addresses have attempted to set out the nation's changing priorities, these pronouncements need to be integrated and distilled into a comprehensive, coherent and co-ordinated framework. In the absence of such a framework, the Review has used composite impact indicators, and these largely present a positive picture though they also reflect weaknesses in a few areas.

In most cases, government has

shown itself capable of adapting to changing circumstances and its progress has been reflected accordingly. However, in the process of conducting the Review, it became evident that South Africa is currently undergoing changes that were not anticipated in the RDP or subsequent government policies. In the next sections, the Review will discuss a social transition that, it is believed, is more profound than any other in South Africa's history.

4.3 Measuring impact

Composite indicators are used in this section to assess progress in various categories of human development. For reasons explained earlier, in most instances the base year used is 1995. As such, what is being measured is primarily the progress in meeting government objectives within the democratic order, rather than what in effect would be a quantum leap between the Apartheid order and the current situation.

The first composite indicator used is the infrastructure index which

Indicator	Period	Index
Infrastructural services: access to housing, water and sanitation, electricity and telephones	1995-2002	0.46 - 0.60
Quality of life: access to basic services, access to health, adult functional literacy, environmental quality	1995-2002	0.52-0.67
Political participation: political and union participation and social trust of Government	1995-2002	0.37-0.47
Social Inclusion: household stability, inclusion in society, participation in cultural organisations	1995-2002	0.27-0.36

seeks to assess the direct impact of the services that government has delivered in the past nine years. This index aims to capture the changing environment in which households find themselves in terms of their ability to access basic infrastructural services (housing, water and sanitation, electricity and telephones). Given the extent of service delivery over the past nine years, this index improved approximately 24 percentage points from 0.46 to 0.60 between 1995 and 2002. The actual value of the index is less important than the direction and magnitude of change although complete service delivery would yield an index of 1. This improvement is remarkable given the fact, as discussed further below, that the expected number

of unserved households increased threefold due to the increase in number of households in this period.

Because the infrastructure index focuses primarily on hard services, a quality of life index was created which also reflects the impact of social services. Quality of life is a broader concept which needs to capture physical well-being and environmental conditions. This index includes access to health, adult functional literacy and environmental quality. Again, the index shows a positive improvement from 0.52 to 0.67, a 25 percentage point improvement. A political participation index, which measures political and union participation and social trust in the institutions of the State, shows an improve-

ment from 0.37 to 0.47 between 1995 and 2002. A social inclusion index, which measures household stability, people's inclusion in society, and participation in cultural organisations shows an improvement from 0.27 to 0.36 between 1995 and 2002. These indexes suggest that the legitimacy of the polity and the social fabric are improving, especially in formal institutions.

All these indices show that the Government has made a positive impact on the lives of people over the past nine years. Not only have they greater levels of services, but their broader social and environmental conditions and democratic participation have also shown a significant change for the better. However, a related index, safety and security, which compares serious crime, prosecution and resolu-

tion rates between 1997 and 2002 shows a slight decline from 0.53 to 0.49 (different years are used in this index relative to the others due to the availability of credible data). It is worth noting however, that the trend since 1999 (reflected in the 2000 statistics) is positive with an increase from 0.41 to 0.49, which suggests that the crime prevention initiatives described in the previous chapter are beginning to take effect.

The economic picture is also not so positive. Economic participation and preparedness show negative trends. Economic participation, which measures employment, the proportion of non-poor and earnings, shows a slight decline from 0.63 to 0.60. The economic preparedness index, which relates economic participation to education levels (including maths and

Indicator	Period	Index
Safety and security: compares serious crime, prosecution and resolution rates	1995-2002 but 1999-2002	0.53-0.49 but 0.41-0.49
Economic participation: measures employment, the proportion of non-poor and earnings	1995-2002	0.63-0.60
Economic preparedness: relates economic participation to education levels (including maths and science education)	1995-2002	0.52 - 0.49

science education) shows a small decline from 0.52 to 0.49. These two indexes suggest that the labour force is less successful in gaining employment at present, and is not yet equipped to find jobs in the future. As discussed below, given the dramatic increase in the economically active, it is to be expected that these indexes would not show an improvement. A more precise measure of the impact of government spending is the fiscal incidence analysis of social expenditure. Research has shown that spending incidence in South Africa is indeed redistributive to poorer groups and has become considerably more redistributive since the political transition. Three Lorenz curves put this into better perspective. These Lorenz curves are used to calculate a Gini coefficient (that for pre-transfer income minus taxes plus social spending):

1. The Lorenz curve for pre-trans-

fer income (in order to exclude the impact of social transfers received from the Government) has an associated Gini coefficient of 0.68.

2. The Lorenz curve for pre-transfer income after incorporating the effect of taxes (personal income tax, value added tax and customs and excise duties) reflects a not much lower Gini coefficient of 0.6.
3. The Lorenz curve for pre-transfer income minus taxes (as above) plus the value of benefits received from social spending, reflects a much decreased Gini coefficient of 0.44.

A comparison with 1993 data shows that social spending in 1993 had virtually no impact on the Gini, suggesting that this change is due to post-1994 redistributive policies. Comparisons between social spending between 1993 and 1997 suggests that

Indicator	1997	2000
Gini coefficient excluding social transfers	0.68	0.59
Gini coefficient including social transfers	0.44	0.35
Percentage change	33%	41%

there was already a significant shift in social spending to the poor. Social spending increased to R2 514, R1 947 and R1 786 respectively for quintiles one to three whilst it was reduced to R1 661 and R1 253 for quintiles four and five. Social spending increased by R573 for Africans and declined absolutely for other races. Likewise, since 1993, the increase in social spending in rural areas is three times the increase of the metropolises and double the increase of other urban areas.

This research is based on the 1997 Household Survey and has not been replicated for later years because of data problems with subsequent surveys. The PCAS has extrapolated these research

findings using the 2000 Income and Expenditure Survey (IES) to make a number of simplifying assumptions. Firstly, it was assumed that household income shares per decile as reported in the 2000 IES was a fair reflection of the pre-transfer income giving a Gini of 0.57 (see table below). If the same incidence of the 1997 study is used, the 2000 household income shares are adjusted by the same percentage difference to give the pre-transfer income shares (row 2). This would then give a Gini of 0.59. Post-transfer Gini for 2002 would then be 0.35. The overall impact of social spending in 2000 is that it reduces inequality by 41%.

The importance of these findings

Decile	1	2	3	4	5	6	7	8	9	10	Gini
2000 h/h income share IES	0.42	1.21	1.85	2.6	3.64	5.29	7.96	12.16	19.72	45.2	0.57
Pre-transfer income share	0.19	1.21	1.95	2.84	4.05	6.08	9.36	13.38	20.2	40.74	
Pre-transfer income share (cumulative)	0.19	1.4	3.35	6.19	10.24	16.32	22.68	39.06	59.26	100	0.59
Income after social spending	4.7	5.4	4.8	5.4	5.9	7.3	9.2	11.9	15.6	29.8	
Income share after social spending (cumulative)	4.7	10.1	14.9	20.3	26.2	33.5	42.7	54.6	70.2	100	0.35

is that government interventions such as the provision of social services have significantly improved the quality of life of the population. These interventions have ameliorated structural changes of the social transition which have had a negative impact.

4.4 The views of the public

In the preceding discussion, the impact of government policies and programmes was measured using objective indices. A complementary approach is to assess the subjective views of the public. It is therefore instructive to examine some of this public opinion in light of the discussion that preceded above. The Institute for Democracy in South Africa's Afrobarometer (which measured public concerns between 1994 and 2002) and Markinor (which measures people's approval of government activities between 1996 and 2003) surveys show consistency with objective data.

The opinion survey on social services shows high levels of approval for most and generally reflect an overall improvement for the

1999–2003 period. Public approval for welfare grants is highest at 78%, basic service delivery rates a 75% approval, access to land rates at 63% and HIV/AIDS policies rates at 61% in 2003. For other social services, surveys show that people's approval for education and health policies have been fairly consistent around the 65% mark for a number of years, although there were declines in 1996, 1998/99 and 2001 in these sectors. Health policies have recently seen a slight drop in approval to 61% in 2003. Interestingly, public approval for housing intervention of the State has improved from a low of 30% in 1996 to a high of about 64% in 2003.

These trends are also reflected in the decline of public concern since 1994 about certain Public Services. Education was a concern of 34% in 1994, but it was a concern to only 15% in 2002. Health was a concern of only 2% in 1994, and increased to 10% in 2002. This may reflect the success of recent policies. Similarly, housing has dropped as a concern from 46% to 22% over the 1994–2002 period. These trends for social services reflect the

Public Opinion

Job creation

Most important problem	1994	67% respondents
	2002	84%
Approval of policies	1996	35%
	2003	26%

Approval of social delivery 2003

Housing	62%
Welfare grants	78%
Land	63%
Rate of basic service delivery	75%
HIV/AIDS	61%

Concern about...

Poverty	1994	9%
	2002	28%
Crime	1994	6%
	1999	65%
	2002	35%
Education	1994	34%
	2002	15%
Health	1994	2%
	1999	18%
	2002	10%

quantitative and qualitative assessments of impact discussed above.

On the other hand, job creation that was considered the most important problem by 67% of the respondents in 1994 and was still considered the most important by 84% in 2002. Likewise, concerns about poverty increased from 9% in 1994 to 28% in 2002. There is an obvious connection between this and job creation. As can be seen from the quantitative data, this issue has become even more salient over time.

It can be seen that concern about crime and security started very low (at 6% in 1994), increased dramatically (to 65% in 1999), but

seems to be in decline (35% in 2002). Other survey data seems to confirm this interpretation, showing that although people's approval of the Government's efforts at crime prevention declined to a low in 1999 (about 25%) there had been a significant increase in approval by May 2003 (to 41%). By contrast, violence that was a major concern in 1994 (49%) declined to insignificance by 2002. Correspondingly, people's approval of government's efforts to control political violence rates at 67% in 2003.

These citizen perceptions, although subjective in origin and reflective of people's moods and opinion, confirm the analysis of

the impact discussed above. It also suggests the idea that government approval is higher where it has greater control (delivery of social goods and services) and less approval in those aspects where it requires a relationship of influence with civil society (as in crime, which is dependent on social behaviour). This interpretation is supported by the public opinion on economic factors that reside largely outside of government's direct control.

Approval of government policies for managing the economy has been increasing from around 45% since 1999 to 53% in 2003 but public approval for job creation policies has declined from a high of 35% in 1996 to around 26% in 2003. Since job creation in particular is largely a responsibility of the private sector, it is not surprising that government's efforts in this regard are seen in such dismal light. Interestingly, concerns about the general economy have declined from 21% in 1994 to about 7% in 2002, reflecting the success of the policies for achieving macro-economic stability.

These perceptions would support

the contention that government has been making a positive impact on the lives of the South African population, particularly in areas where it has a greater degree of control. Unfortunately, not all areas have seen a positive change. As noted above, job creation, which is largely beyond the control of the State, has increased and it remains the most pressing concern of the public.

Interesting new public opinion survey material on people's assessment of government performance over the past nine years since 1994, reflects public perceptions that the top two areas where government has been successful have been in creating unity amongst South Africans and in providing access to basic services. Government is perceived as having been less successful in improving the state of the economy in relation to raising the standard of living. In particular, the same respondents indicated that the overwhelming majority felt that unemployment was the major challenge for the next decade, followed by addressing health and crime problems. Significantly, poverty and the provision of ser-

vices were ranked as lesser challenges in the next decade.

4.5 The social transition

What are the broader social trends that South Africa has been subjected to over the past decade?

The **first and most obvious social trend concerns the changes in South Africa's demography**. During the period 1996 to 2001 the population of the country grew by approximately 2% per annum. This corresponds to an increase in the number of people from 40.4 million to 44.8 million, an increase of 4.4 million or 11%.

However, recent data suggests that there are 11.8 million households, up from 9.1 million in 1996. The 2001 Census data reflects a drop from an average household size of 4.5 in 1996 to an average

size of 3.8 in 2001. That is, a 30% increase in the number of households, almost three times the rate of the population increase. Taking the drop in household size as given, the impact on service delivery is clear. Instead of having to provide housing and services for only one million households, government has found itself having to assist almost three million households. The implications on service delivery are even more critical in some provinces such as Gauteng, with an average of 3.1 persons per household, and less critical for others such as Eastern Cape, KwaZulu-Natal and Limpopo, with an average of about 4.2, above the national average of 3.8. The reasons for the drop in household size are varied and include a decline in fertility rates and family size, the affect of new government policy on how citizens try to access services, encouraging "unbundling", as well as freedom and improvement in

Population	Period	Quantity
Population growth	1996-2001	2% p.a.; 40.4m - 44.8m
Population increase	1996-2001	increase of 4.4m or 11%
Number of households	1996	9.7m
	2001	11.8m (30% increase)
Average household size	1996	4.5
	2001	3.8

quality of life, resulting in fewer extended families.

The second major social trend that has been affecting these indexes is the dramatic increase in the economically active population.

As noted in the economic theme, between 1995 and 2002, the number of people employed in South Africa grew by 1 600 633 net new jobs. However, during the same period, the number of unemployed people grew by 2 361 834 according to the strict definition of unemployment. This was because the number of economically active people increased from 11 466 653 to 15 429 120, or by 3 962 467 people. There is some discrepancy between the Census data and the Labour Force Survey (LFS) measure, but Statistics SA suggests that the LFS measure be used.

force grew by about 4% per year although the population growth rate was around 2%. This suggests that new job seekers were not only young adults reaching the job market, but were also older adults who had not previously considered themselves part of the labour market. Evidence from the qualitative case-studies indicates that many of these are African women, and, of these, many are recent migrants from the rural areas.

Despite other causes of employment loss, such as industrial restructuring due to the reintegration of the South African economy into the world economy, 12% more jobs were created between 1995 and 2002. However, the economically active population has increased at 35%, almost three times the rate of jobs created.

The economically active labour

The third major trend is the

Employment	Period	Quantity
Change in number of people employed	1995-2002	1 600 633 net new jobs
Number of unemployed people	1995-2002	2 361 834
Economically active people	1995 2002	11 466 653 15 429 120 (3 962 467 increase)

changing structure of the economy. An analysis of sectoral employment patterns showed that in absolute employment all main sectors of the economy witnessed increased employment between 1995 and 2002. However, there were noticeable shifts in the sectoral allocation of employment. While most sectors showed unchanging shares of employment between 1995 and 2002, there was a clear shift of employment away from Public Services, construction, and mining and quarrying towards internal trade and finance, real estate and business-service sectors.

In terms of Public Services and mining and quarrying, the restructuring exercise within the public sector as well as the continued pressure on the viability of mining enterprises, contributed to this declining contribution to aggregate employment. What the data also showed was that the economy's long-run prospects for expansion were in the services sector. This was particularly clear in that employment doubled over the seven-year period in the finance, real estate and business sector. This differential growth in the dif-

ferent sectors of the economy contributed to the uneven growth of employment.

One of the major consequences of the change in the structure of the economy is that "two economies" persist in one country. The first is an advanced, sophisticated economy, based on skilled labour, which is becoming more globally competitive. The second is a mainly informal, marginalised, unskilled economy, populated by the unemployed and those unemployable in the formal sector. Despite the impressive gains made in the first economy, the benefits of growth have yet to reach the second economy, and with the enormity of the challenges arising from the social transition, the second economy risks falling further behind if there is no decisive government intervention.

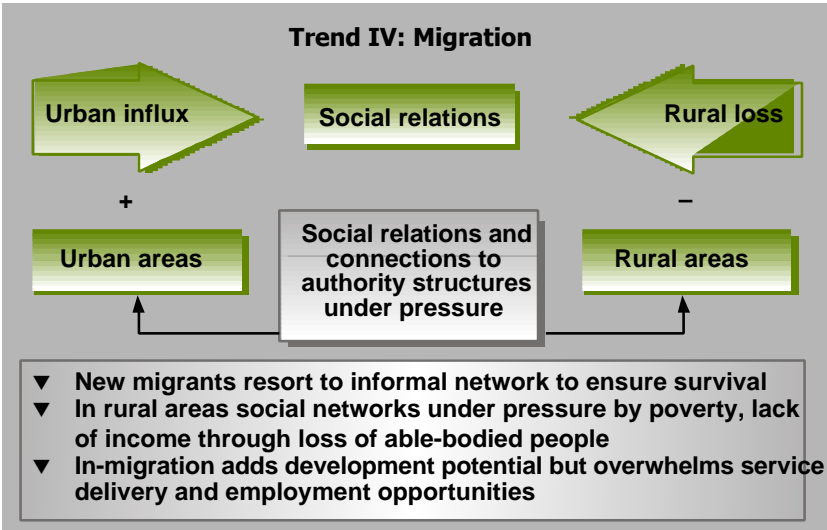
The fourth major trend is migration. Census data shows that in the major metropolitan areas, and in some of the regional centres and small towns, more than 20% of the population are new migrants. This has impacted on the major urban centres of Gauteng and the Western Cape, and

inversely rural provinces such as the Northern Cape, the Eastern Cape and Limpopo. Along with these changes is the emergence of mainly informal settlements around major cities and towns. This has implications not only for fiscal allocations but also on the approach to spatial development: including identification of areas of potential, concentrations of absolute poverty, interventions required in "migration feeder" communities and so on.

Furthermore, not only does this mean that at least a fifth of the population of these centres are relative newcomers with few social connections to the established population, but that there must also be a net loss in the mainly

rural areas from whence the migrants have come. Given the recent receipt of the Census data, it is difficult to provide a more in-depth analysis at this stage.

Both the urban influx and rural loss of migrants would have had a major impact on social relations in these areas as shown in the qualitative studies. These studies show that whilst some services are fairing better than others, particularly social grants, education and housing, the social transition under way is affecting communities differently. The rural areas and many small towns are experiencing a rapid loss of people and economic opportunities and the urban areas are experiencing significant gains



in population from these areas.

In both areas, social relations and connections to authority structures are under pressure and as a result, the ability of people to interact on a collective basis has been weakened. In rural areas, social capabilities are undermined by the loss of able-bodied and relatively skilled people, and existing social networks are put under pressure by poverty and a lack of income.

In urban areas, although in-migration may add to development potential, through the importation of economically active people, this migration risks overwhelming service delivery and employment opportunities. The new migrants do not have the same social connections and are increasingly resorting to informal networks to ensure their survival. Some rural-traditional forms of collective organisation and exercise of authority are gaining ground, and a number of them seek to co-opt the democratic process to perpetuate these organisations.

These challenges are likely to become more daunting in future depending on the trajectory of the HIV/AIDS pandemic and other

demographic changes such as declining fertility. The composition of the population is expected to change with the percentage of young people (0 to 19 cohorts) declining whilst the percentage of 60 and older age cohorts increases. The social, economic and political consequences of this social transition need to be fully understood and built into long-term planning.

These major social and economic changes help explain some of the negative trends reflected in the theme discussions. Because of the dramatic social transition, unemployment, and consequently poverty, have not declined significantly despite substantial government intervention. In the face of these social transformations, social cohesion and community life are adversely affected, undermining the development potential of some areas and giving rise to increased criminality in others. These problems are then reflected in lower levels of service delivery and increasing problems in governance.

In light of the magnitude of social changes brought about by the fundamental re-ordering of South African society, it should not be

surprising that there has been this volatility in the social structure. Evidence from this research indicates that notwithstanding the significance of these social and economic changes, government has made significant progress towards addressing their negative effects.

4.6 The global setting

We enter the Second Decade of Freedom in an uncertain global environment. This environment is characterised by a growing tendency towards global tension and unilateralism, in a world that was inching in the opposite direction. Uncertainty around issues of global terrorism and the tensions in the Middle East and the Korean Peninsula are the most immediate manifestations of the global political environment, which threaten to persist. The international outlook remains fragile, reinforced by lingering concerns around geopolitical tensions, unresolved international trade issues and the overhang of the immense US balance of payments and fiscal deficits. The global environment thus holds little immediate prospect of relief for the South African economy.

This global setting is a consequence of a unipolar world, and the fact that the expected "post-Cold War dividend" has not materialised for the majority of humanity. The period under review saw the consolidation of globalisation, reflected in the integration of financial markets, a revolution in information and communications technology, integration of production in developed regions of the world, and massive growth in global trade and migration. Along with these developments has been the tendency to impose approaches that favour industrialised nations in terms of, among others, macro-economic policies and trade issues.

However, at the beginning of the new millennium, some shifts in the discourse on development issues amongst the major multilateral institutions and greater popular interaction with global issues have created new opportunities for developing countries to assert their interests. Yet, even these positive trends have recently been undermined by the emergence of global tension and a tendency towards unilateralism.

Whilst many of these develop-

ments contain seeds of Africa's continued marginalisation, opportunities do exist for the continent to mobilise within itself and across the globe for a more humane approach to its plight and that of other poor regions of the world.

Among governments and citizens of developed countries, there is potential to focus attention on common objectives of humanity as outlined in the UN Millennium Declaration. South Africa, by dint of its history, its location, size of its economy on the continent, current endeavours and outlook is poised to play a critical role in this regard.

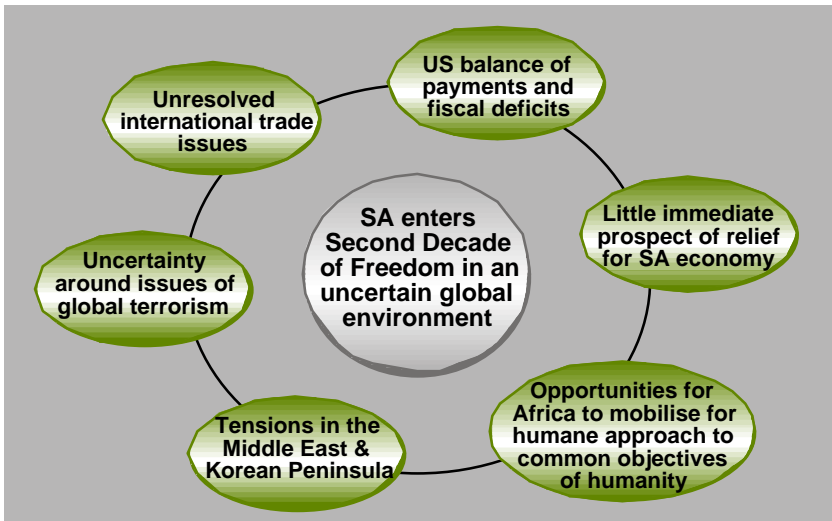
4.7 Main conclusion

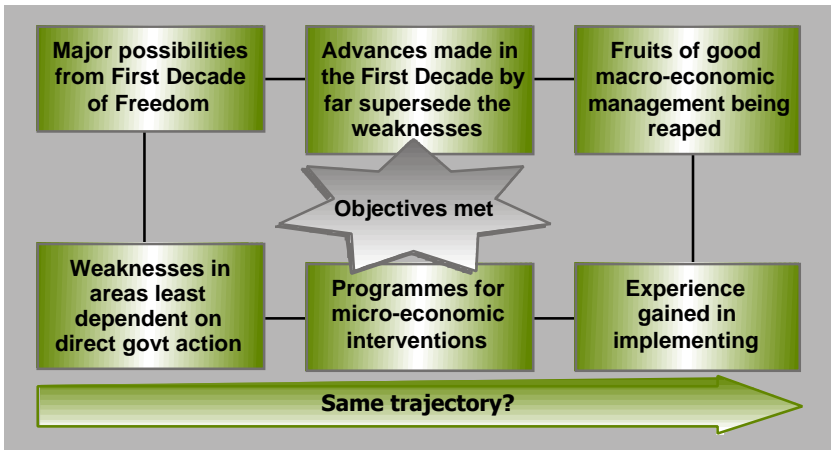
All the evidence from research suggests that government has

adequately met its objectives.

Given all the issues raised in the preceding sections, what is the major conclusion that can be made? This can be summarised as follows:

South Africa is at the confluence of major possibilities arising out of progress that has been made in the First Decade of Freedom. The fruits of good macro-economic management are being reaped in social services; programmes for micro-economic interventions have been developed, and experience has been gained in implementing government programmes, including crime prevention and improving the global positioning of the country.





There are weaknesses in those areas that are least dependent on direct government action, at the coalface of interaction with the public and in the supervision and management of implementation. The advances made in the First Decade by far supersede the weaknesses. Yet, if all indicators were to continue along the same trajectory, especially in respect of the dynamic of economic inclusion and exclusion, we could soon reach a point where the negatives start to overwhelm the positives. This could precipitate a vicious cycle of decline in all spheres. Required are both focus and decisiveness on the part of government, the will to weigh trade-offs and make choices, as well as

strategies to inspire all of society to proceed along a new trail. If decisive action is taken on a number of focused areas, the confluence of possibilities is such that the country would enter a road of faster economic growth and job creation, faster and more efficient provision of quality services, increased social cohesion and reduction of the paradigm of exclusion prevalent among sections of society.

Challenges and opportunities

5 The analysis in the themes and in the section on findings do throw up some challenging social and economic trends. In order to fully understand the challenges for the next decade, these positive trends and the challenges need to be taken into account in trying to define the trajectory for the Second Decade of Freedom. What are the "Big Ideas" in this regard?

In positing these ideas, we proceed from the premise that the fundamental objective of the country, and of state policy, is to create a united, non-racial, non-sexist and democratic society. This finds expression in the country's Constitutional framework and should increasingly find realisation in the outcome of government policies and theory and practice within all sectors of society.

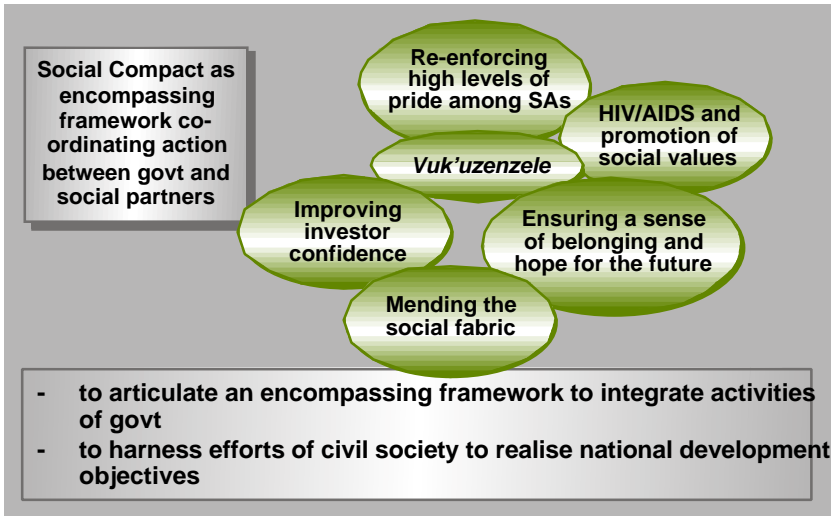
Given the observations outlined above, it would seem that the major intervention required in the coming period should be directed at consolidating democracy with measures aimed at integrating all of society into a growing economy from which they can benefit. This requires a framework defining a shared destiny, better performance

by the State, addressing the consequences of the social transition and improving the environment in the subcontinent.

5.1 Framework of encompassing interest – a Social Compact

As it was argued, for development to be successful, the State needs to be sufficiently strong to commit to encompassing long-term development objectives, in other words, for the State to assert its leadership role beyond the realm of areas under its direct control.

In the course of the Ten Year Review, it was evident that apart from the RDP, there was no such encompassing framework or broad vision. The RDP objectives remain relevant, and in terms of targets they need to be integrated with the UN Millennium Declaration which includes goals and targets to decrease poverty and hunger by half, ensure universal primary education, reduce child and maternal mortality, combat HIV/AIDS and other major diseases, ensure environmental sustainability and develop a global partnership for development. The Growth and



Development Summit (GDS) also committed economic role-players to undertake to reduce unemployment by half by 2014.

Should these targets be the overarching vision which can be distilled into a simple injunction to mobilise society; or is a different vision required? There is evidence from the Review process that unless such an unambiguous framework is articulated, it will be difficult to achieve co-ordinated action both in government, and between government and its social partners. Such a framework would contribute significantly to improving the performance of both the formal and informal institutions of the State. Internal to government, such

an encompassing framework would provide the basis through which policy co-ordination and performance management could be established. Without a clearly articulated hierarchy of outcomes, it is unlikely that government will achieve the externalities of integrated and co-ordinated action across society.

The value of an encompassing framework is not limited to the formal institutions of government, but it can provide a vision and coherence to the activities of civil society. The Ten Year Review shows that the informal networks of civil society play a significant role in promoting enterprise and ensuring survival of rich and poor communities alike. Unless these activities

are harnessed to the development project of the nation, they could increasingly become sites of contestation between government and civil society. The real gains that all groups in this country have experienced now provide the grounds for uniting divergent interests around some common developmental objectives.

Research commissioned for the Review suggests that civil society in South Africa is vigorous but shallow, yet the recent experience of using faith-based organisations to dramatically increase the number of recipients of CSGs, indicates there remains significant potential for enlisting the support of civil society into the nation's development project. Involving social partners and the broader civil society must go further than the mere articulation of visions and frameworks, but must, in line with agreements made at the GDS, extend to the identification of projects that involve different sectors of society in the overall development project of the nation. The central economic challenge for the next decade, to help address the negative impact of the social transition – with far-reaching

social and political implications – is to ensure much higher rates of growth and employment creation. Research shows that with an average growth rate of 2.8%, net employment grows at a rate of 2.1%. This is a good coefficient in a restructuring economy. The issue is how to raise growth to higher levels, and more specifically, the rate of investment from the current 16 – 17% of GDP!

Continuing to improve the macro-economic environment, through a more stable currency and lower real interest rates, public-private partnerships in major projects, marketing and reversing negative investor perceptions, demonstrable success in dealing with poverty, reducing bureaucratic obligations on employers, easing access to and cost of capital specially for small and medium firms and targeted skills development and acquisition – in brief, implementation of the GDS and other agreements among the social partners would be critical in placing the country on a higher growth trajectory. The framework of encompassing interests should include all these issues. It is also critical in reinforcing the current high levels of pride

among South Africans, in ensuring a sense of belonging and hope in the future, in improving investor confidence, in encouraging *vuk'uzenzele* (reflected in part in the spirit of self-help, self-respect and initiative) and in uniting the country around the campaign against HIV and AIDS. Combined with all these is the promotion of social values that accord with the spirit of caring and responsibility – in the context of education, culture and the arts and media discourse.

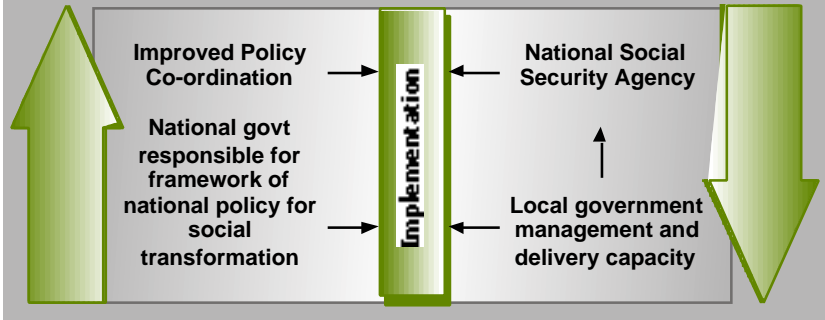
Serious consideration should be given to the nature of a social compact that can provide an encompassing framework for further development. It may also be necessary that beyond the need to improve the formal institutions of the State, much greater attention should be given to mending and reinforcing the social fabric. The first Big Idea for the next decade therefore is to articulate an encompassing framework which not only helps better integrate the activities of government, but also harnesses the efforts of support of civil society to realise the national development objectives.

5.2 Improving the performance of the State

The second major challenge for the next decade, arising from the conclusions of the Review, is that if the objectives of government are largely correct, then more needs to be done to achieve them. In the themes, a number of cluster specific recommendations were made on how to improve certain functions of the State. Beyond these immediate suggestions, however, the functioning of the State in its broadest institutional definition needs to be addressed.

Over the past nine years, a major new architecture of institutions has been created for the State, spanning the three spheres of government. Furthermore, many of the procedures and practices of government have been revised in line with international best practice. Significant personnel mobility has brought in new skills and motivated people, but 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

Challenge 1: how to ensure realisation of a national vision in practice given the relative autonomy of each sphere of government in critical areas of social delivery?
Challenge 2: whether asymmetric allocation of responsibility should be considered where capacity exists?



the formal institutions of state are still undergoing significant growing pains and face the danger of being in 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 in the second decade and that national or provincial government may need to be ready 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 both within and across spheres of government, but these efforts need to be further consolidated with greater attention being focused on implementation. Now that the basic policy frameworks of the democratic dispensation have been created, more attention can be given in all spheres to overseeing or managing the deliv-

ery process.

Research commissioned for the Review suggests that the needs of local government are most critical, with the majority of municipalities not having the capacity, or likely to gain the capacity, to perform their delivery functions in future. This means that although government should make every effort to work within the current framework of institutions and practices, if serious capacity constraints persist in any agency, the Government may need to consider changing current responsibilities and structures, such as with the proposed National Social Security Agency.

Put differently: The Constitution delegates original and concurrent powers and functions to different spheres of government. Thus, in addition to certain functions undertaken directly, national government has responsibility for the framework of national policy for social transformation.

Two challenges arise from this: Firstly, how to ensure realisation of the framework of encompassing interest – a national vision – in actual practice, given the relative

autonomy of each sphere of government in critical areas of social delivery. And secondly, whether it would not be prudent to consider asymmetric allocation of responsibility where capacity exists 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. This also relates to the issue of norms and standards at the level of practical implementation rather than just in relation to policy frameworks.

Government would also need to promote greater participation and interaction of people with the State. Since 1994, the State has provided many new opportunities for ordinary people to get involved in governance ranging from ward committees, the IDP process, the Chapter 9 institutions, the National Economic Development and Labour Council (NEDLAC), and management of pension funds and workplace forums. Yet, actual participation in these structures and/or the capacity to take advantage of their existence has

been limited mainly to special interest groups, and/or hindered by considerations of short-term self-interest. Government should continue to seek new ways of encouraging ordinary people to utilise their freedoms.

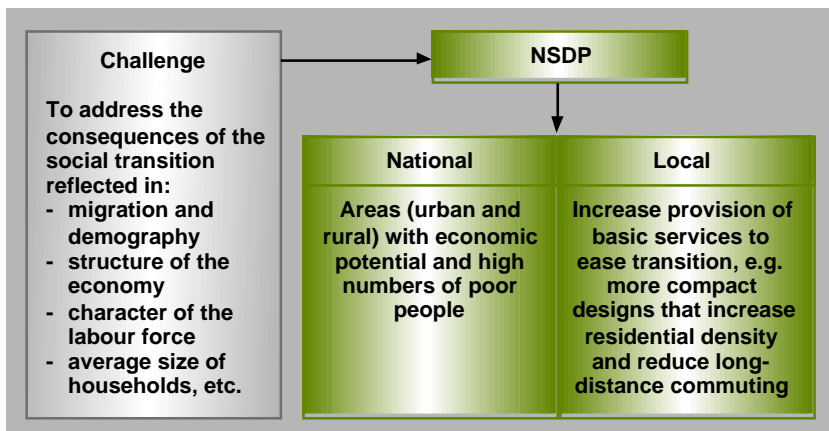
Related to this are the initiatives pertaining to project management, Community Development Workers, massive expansion of the one-stop government centre (MPCC) project and Gateway.

5.3 Addressing the consequences of the social transition

The third major challenge for the

next decade is to address the consequences of the social transition described above. There is evidence of a significant transformation in South African society and the economy, reflected in migration and demography, structure of the economy and character of the labour force, average size of households and so on.

The National Spatial Development Perspective (NSDP), which anticipated much of the social transition, provides a framework for government to focus its efforts on localities that will have the greatest impact in terms of development and poverty alleviation. By focusing on areas that have both economic potential (including untapped

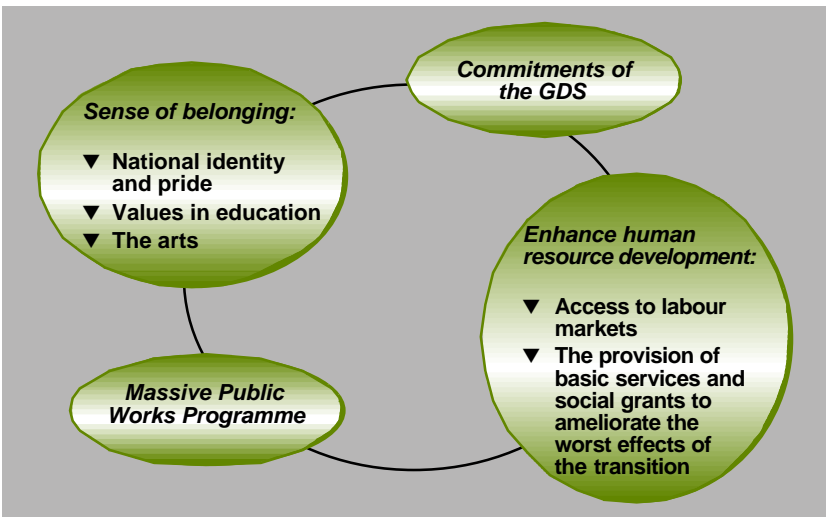


agricultural and other natural resources) and high numbers of poor people, and in most cases these are the same areas, all three spheres of government will achieve greater externalities from co-ordinated action. These areas are to be found in both urban and rural settings, and their potential includes research and development, high-value or labour-intensive mining, manufacturing or agriculture, tourism, commerce or public services.

In these areas, programmes that stimulate economic activity have the most potential to succeed although, given the high numbers of new migrants particularly in

urban areas, government will also have to dramatically increase its provision of basic services, skills development and social grants to ease the transition. Further, within these areas, there will also be need to place greater emphasis on overcoming the spatial disjuncture between home and work by promoting more compact designs that increase residential densities and reduce long-distance commuting.

Simultaneously, the NSDP focuses government's attention on those areas whose human capital and social fabric have become severely depleted by poverty and out-migration. In these areas, the NSDP advocates programmes



that will enhance human resource development, access to labour markets and the provision of basic services and social grants to ameliorate the worst effects of the transition. The NSDP will therefore assist government in dealing with the social transition by focusing its activities where it will achieve most impact. Critical in both areas, in addition to on-going economic programmes, is a massive Public Works Programme. The challenge is to ensure that the social (and other costs) of the transition are ameliorated.

Given the time lags associated with improving service delivery, governance and economic performance, a high level of social discomfort will persist. The commitments of the GDS may be sufficient to ensure that the social and economic shortfalls are addressed. However, these commitments are unlikely to yield significant improvements without the wholehearted support of all sectors of South African society. Related to the challenge of building human capital and renewing the social fabric is the question of national identity and pride. One of the challenges of the decade will

be to take nation-building further through such issues as values in education, the arts and by inculcating among all South Africans a sense of belonging. Although government has already been credited for doing much to foster a sense of unity since 1994, the underlying pressures arising from the social transition mean that much more still has to be done in the next decade.

One of South Africa's characteristics, not unusual in the kind of fundamental change our society is undergoing, is the fact that the political leadership in government is quite distinct in terms of race, culture, background and lifestyle from the economic leadership. This has had some benefit in that the political leadership is not beholden to an established "Old Boys Club". The disadvantage is that the kind of trust needed between the economic and political "elites" for high levels of investment was initially missing in post-1994 South Africa. However, trust has grown in recent years, facilitated by institutional innovations such as NEDLAC, the Presidential Working Groups and the

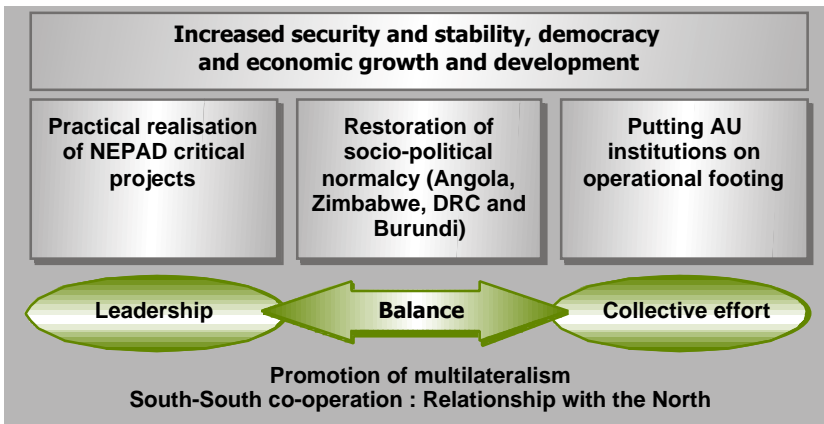
Business Trust. In addition, the BEE policy and programmes have helped develop a black business class that is able to assist in building such mutual trust and confidence. Government will need to build on these bridges if investment and growth are to increase for sustainable development. In other words, the relationship that exists with civil society among the poor needs to be augmented with broader alliances that would make a social compact possible – without detracting from the fundamental objectives of policy.

5.4 Improving the regional environment and implementing NEPAD

Needless to say, South Africa's

development is dependent on increased security and stability, democracy and economic growth and development in southern Africa and the rest of the continent. Progress in this regard will allow for rational exploitation of countries' comparative advantages, integrated utilisation of human and natural resources, bigger markets and investment opportunities across the continent and the virtuous cycle of improving perceptions.

The next decade holds the possibility for NEPAD to find practical realisation in critical projects that help lift various regions. In our region in the next few years, the catalyst to this end would be the establishment and restoration of socio-political normalcy in Angola,



Zimbabwe, the DRC and Burundi. In a sense, these achievements would set the region on a high growth path, and ensure that a collective of states serve as the locomotive of the revival of the region and beyond.

Along with this, and largely dependent on it, is the challenge to put the institutions of the AU on an operational footing.

In pursuing these objectives, South Africa will be challenged to find the appropriate balance between leadership and collective effort, the locomotive effect and the lowest common denominator, asserting with pride the fact of South Africa being an integral part of the continent and avoiding being defined by Africa's worst problems.

Attached to this challenge are the efforts to promote multilateralism, the development of strategic relations with major countries and regions of the South, as well as ongoing efforts to strengthen relations with developed countries.

Way forward

Beyond the broad challenges of the next decade described above, it is argued in the themes that government must continue with what **6** has started, only to do this more diligently and more vigorously than before. This synthesis closes therefore by highlighting the key challenges that arise from each of the themes.

The overriding challenge in this regard, if the country has to move to a higher trajectory of development, is employment creation and reduction in the number of citizens dependent on social welfare. At the same time, the reach and efficiency of social security need to be continually improved.

With regard to each area of endeavour, a Key Challenge is identified, so highlighted because, if urgently implemented, it would help unlock faster movement in all other areas – it would be a catalyst towards ascending to a higher trajectory of development.

6.1 Governance and administration challenges for the next decade

6.1.1 Key challenge:

Focus on practical implementation as distinct from setting out a policy framework which now exists, through the adoption of project management practices and Community Development Workers.

South Africa's development in the next decade and beyond.

6.2 Social challenges for the next decade

1. Improve service delivery by building the necessary institutions and initiatives.
2. Make use of the NSDP to focus government's attention on localities that have greatest potential for development and poverty alleviation whilst rebuilding other areas.
3. Improve the capacity of provincial and local government at key technical levels especially where it impinges on service delivery and financial management.
4. Improve accountability to, and contact with, the electorate by all levels of government.
5. Develop and maintain partnerships with civil society with emphasis on practical programmes.
6. Provide leadership to social partners through the (re) articulation of an encompassing framework for

6.2.1 Key challenge:

Massive Public Works Programme, improved access to social security measures, with better vehicles to improve service delivery while reducing the number of citizens dependent on grants.

1. More efficient delivery of social grants to rural beneficiaries, the reduction of corruption and incorporation of these grants into a system of comprehensive social security.
2. Expanding the Public Works Programme to include both labour intensive construction and social services to address the causes and consequences of poverty.
3. Addressing HIV/AIDS and other emerging diseases by reducing the incidence of infection among high-risk groups, treatment of those infected and increasing access to home-based care.

4. Matching the skills to the requirements of the economy, restructuring higher education, improving the uptake and graduation from ABET programmes, and reducing disparities in access to education by the poor.
5. Meeting the increasing demand for housing and services generated by the decrease in household size between 1996 and 2001. Other challenges include obtaining land for urban housing projects in the context of spatial planning.
6. The development of support programmes to farmers to ensure the appropriate use of land and appropriate land-use data collection systems for planning and monitoring purposes.
7. Promote national identity and pride, ensuring that households develop civic responsibility, including a culture of paying for services (beyond the free basic provision) and taking responsibility for protecting the infrastructure in their communities.

6.3 Economic challenges for the next decade

6.3.1 Key challenge:

Implement key GDS recommendation to identify sectors for urgent investment and learnerships and employing at least 5% of investible capital from relevant funds in productive activity.

1. Continue with prudent macro-economic policies leading to a more stable currency and lower real interest rates, and improve the public sector's investment performance.
2. Support focused sector strategies in key growth and employment industries, following the examples of the motor industry and the tourism sector.
3. Speed up the restructuring of all industries to ensure global competitiveness, low commodity prices and better access to key markets.
4. Increase the effectiveness of SOE restructuring through more effective managed liberalisation and stronger regulators, and strengthen the

powers of the competition authorities to deal with anti-competitive practices.

5. Provide adequate resources to strengthen the broad-based empowerment programme, including the agrarian reform programme and micro-credit to support productive enterprises.
6. Focus on targeted skills development and steady improvement in the education system and the functioning of the labour market.
7. Build on the platform of the GDS to create a sustainable growing, job-creating economy.
8. Ensure implementation of the Research and Development Strategy both in high-level niche areas such as fuel cell technology and issues related to immediate poverty eradication and protection of the environment.

6.4 JCPS challenges for the next decade

6.4.1 Key challenge:

Improve SAPS skills and numbers and build an efficient and integrated CJS along the whole chain,

reinforcing the rule of law.

1. Accelerate the implementation of social programmes that will help prevent crime from taking place, including Integrated Rural Development, Urban Renewal and Moral Regeneration combined with a better physical living environment.
2. Enhance the capacity of the intelligence structures and the SANDF.
3. Improve efficiency in both ports of entry and in respect of border control.
4. Improve intelligence, visible policing and social partnerships, particularly in dealing with priority crimes.
5. Address all matters pertaining to HRD across the cluster, including the judiciary.

6.5 IRPS challenges for the next decade

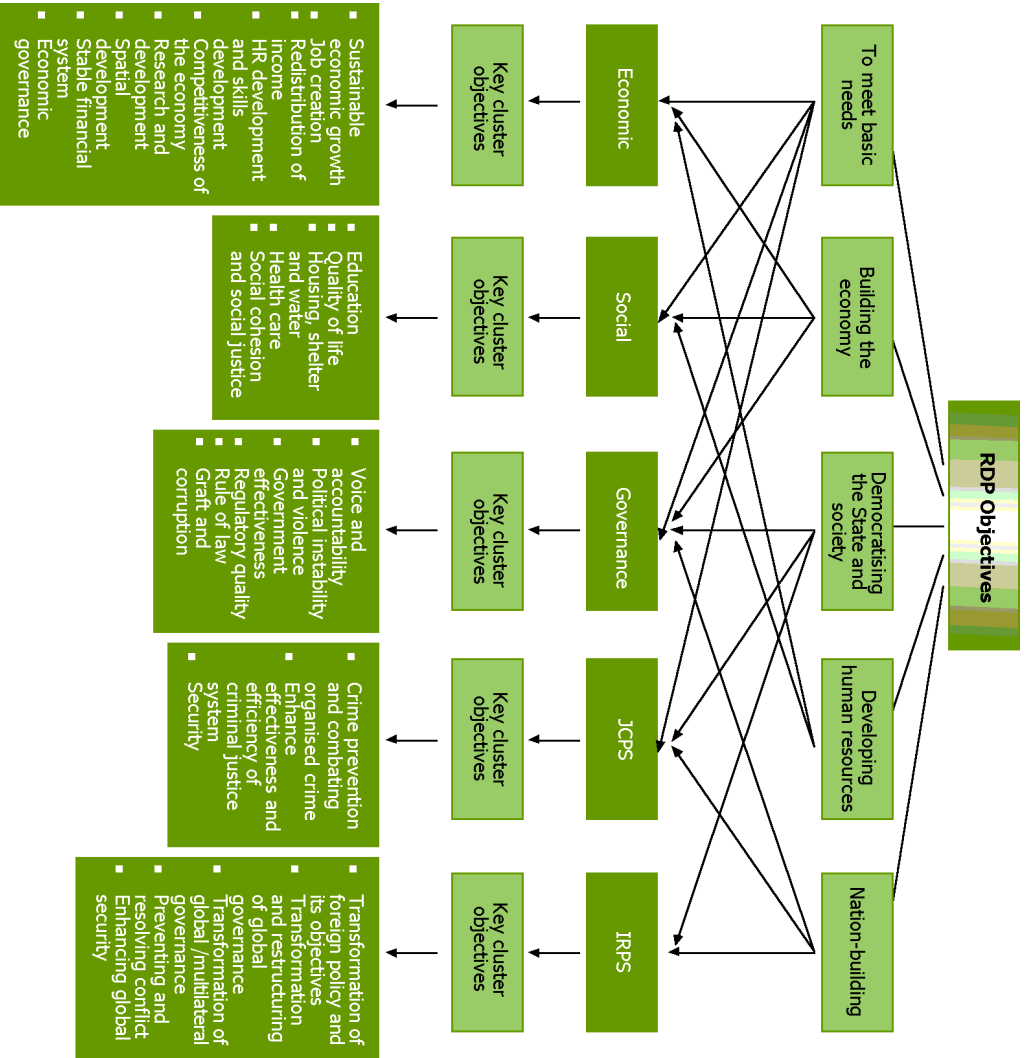
6.5.1 Key challenge:

Unite the world around NEPAD's "common human values" and get locomotive countries and projects

going.

1. Consolidate active participation status and role in the international political and economic systems.
2. Speed up transformation of all the institutions and agencies in the cluster.
3. Support the Peace and Security Council in its efforts to contribute to conflict prevention, conflict resolution and peacekeeping in Africa.
4. Promote and strengthen multilateralism at regional, continental and global levels.
5. Play an active and leading role in the implementation of NEPAD and the African Peer Review Mechanism.
6. Ensure that AU structures and programmes are implemented, operationalised and consolidated.
7. Pursue economic diplomacy in order to expand the country's economic links to Africa and internationally, and attract FDI.
8. As the custodian of the Johannesburg Outcomes, continue to play an important role in leading the international sustainable development agenda.
9. Marketing South Africa and Africa.
10. Accelerate energy security by diversifying energy supply options to integrate and develop gas and renewable energy resources.

Annexure I



Annexure II

INDICATORS

Category

<i>1. Current growth</i>	Real per capita GDP growth Net creation of SMEs
<i>2. Sustainable growth</i>	Inward FDI in USD Capital formation/GDP %
<i>3. Economic stability</i>	Inflation (CPI) (alternate) Real interest rate
<i>4. Economic governance</i>	Government debt/GDP % (alternate) Budget deficit before borrowing
<i>5. Employment</i>	Number employed, broad definition (alternate) Percentage unemployed, broad definition
<i>6. Innovation</i>	Technology balance of trade (alternate) R&D expenditure/GDP %
<i>7. Future competitiveness</i>	Number of SET graduates from university (alternate) Number of matrics with maths and science HG pass
<i>8. Inequality</i>	Percentage of total income received by the fifth quintile
<i>9. Poverty (Income)</i>	Percentage below minimum living level (defined in terms of expenditure)
<i>10. Empowerment</i>	Percentage of top and middle managers and professionals who are black and/or women (alternate) Black ownership of public companies

11. Transport and communications

Proportion of income spent on transport

Unit cost of telephone use

Unit cost of freight transport (road/rail)

Port charges

12. Health and food security

Life expectancy

Infant mortality rate

Maternal mortality rate

TB prevalence rate

HIV/AIDS prevalence rate

Malaria prevalence rate

Kwashiorkor prevalence rate

Stunting

13. Human resource development

Participation rate

■ Pre-primary

■ Primary

■ Secondary

■ Tertiary

Student teacher ratio

■ Pre-primary

■ Primary

■ Secondary

■ Tertiary

Gender equity

■ Pre-primary

■ Primary

■ Secondary

■ Tertiary

Matric pass rate with university exemption

Senior certificate pass

African learner pass HG maths

Ratio of formal housing/informal

14. Housing

15. Public safety

housing/homelessness
Proportion of households with access to water and sanitation
Proportion of households with access to electricity
Number of violent crimes, including rape and abuse of women and children
Conviction rate
The prisoner population
The proportion of awaiting-trial prisoners

16. International relations

Number of complaints about police brutality
Crime victims' satisfaction with support from agencies
Community police relations
Case time lags
The State's territorial integrity
Membership of international organisations
Number of embassies in South Africa and abroad
FDI inflows into South Africa
Bilateral and multilateral trade
South African-led peace initiatives
Number of diplomats trained
Free and fair elections and public

17. Voice and accountability acceptance of election results

Extent of political competition/participation of civil society
Composition and accountability of Parliament
Civil liberties and freedom of the press/media

18. Political instability and violence

Political violence

Ethnic violence

19. Government effectiveness

Transaction costs of doing
business in government

Quality of public services

Effective implementation of gov-
ernment decisions

Access to services

Wasteful expenditure

Bureaucratic delays

Public opinion of government
service

20. Regulatory quality

Regulatory burden to starting a
business, registering for social
grants and services

Incidence of company tax policy

Number of patent rights cases

Size of the 'informal sector'

Losses and costs of crime

Cases referred to higher courts

Predictability of the judiciary

Legitimacy of judgements in pop-
ular perceptions

Enforceability of contracts

Property rights

Access to justice for the poor

Tax compliance

22. Ethics

Number of corruption cases in
public and private sectors

Sources of exposure of corruption

Existence and effectiveness of

institutional arrangements to deal
with corruption

Annexure III: Composite indexes

The composite indexes were created by identifying aspects of the general quality of life affecting all South Africans and measuring changes in them. To do this with any validity, the constituent parts have to be of roughly similar significance to the population. Including a measure that affects a small percentage of the population among measures that reflected more general trends would skew the index.

Composite indicators can be designed to capture particular dimensions of social change when appropriate direct measures of social change are not available. Two of the main virtues of composite measures are that they are able to reflect diverging or contradictory trends, and they are typically "robust". This robustness is an advantage when it is necessary to keep measures as simple and as transparent as possible. Such composite indices are not sensitive to small changes in trends or in definitions.

There is another advantage of composites – trends can be captured by proxy measures. The insight offered by composite indicators rests largely on the selection of the components. Very often the components are proxy measures for other data that is unavailable. For example, if a composite measure of housing conditions is required, little is gained by measuring 1) access to electricity, 2) access to piped water and 3) housing type (i.e. formal or informal). The close correlation between formal housing and access to both piped water and in-house electricity is such that housing type contributes nothing additional to the other variables. This unfortunately may give rise to the appearance that important dimensions have been omitted when instead they have been captured by proxy.

To keep these measures comparable, they had to be put on the same scale. For instance, crime rates are measured in terms of incidents per 100 000 population, and access to piped water is measured in terms of percentage of households. As the range of observed values for these

diverse measures fluctuates dramatically they have to be placed on a similar scale. The scale adopted was based on a comparison of provincial rates of each index in the two time periods. That province which was ranked worst of all at either of the two time-points received a score of zero for that component. The province that had the best measure of that component in either of the two years received a score of 1. In order to achieve this, some of the components are expressed somewhat awkwardly. Instead of talking about unemployment rates we have to use the less familiar "employment rates" – which is 100 minus the percent unemployed.

After scaling all the constituent parts of the index from 0 to 1, they were then averaged to reveal an index value for the two periods in question. Thus if a province received, in any one year, the worst provincial ranking for all the constituent measures it would receive a composite score of 0. All other provinces receive a score of more than 0 and less than or equal to 1.

Infrastructure

This title is somewhat of a misnomer as it refers to the level of services associated with housing. Nevertheless, this one index captures many of the thrust of the RDP-type programmes:

- access to piped water
- access to toilets (excluding bucket latrines)
- weekly rubbish removal
- access to telecommunications
- access to electricity.

Quality of life

This index is intended to measure the quality of life beyond the mere ability to access employment and services.

- Access to medical facilities indicates the degree to which people can address health issues. This is measured by the percentage of households reporting that they can access a hospital or clinic in less than an hour.
- Adult functional literacy shows the increasing extent to which adults can access the opportunities associated with the ability to read. Literacy gives people the ability to follow written instruction and thereby get better access to services and facilities and other opportunities.
- The percentage of people using electrical stoves reflects, largely, the proportion of households not using wood or coal fires and thereby detracting from the quality of urban air. It is a proxy measure for environmental quality.

Political participation

This index measures the involvement individuals have in the wider community. Three forms of involvement were identified: political participation, trust in political structures and workplace participation.

- Political involvement was measured by the proportion of eligible people voting in the two most recent local government elections. Use of the local government elections gets us away from the use of the founding election of 1994, which had anomalously high turnout.
- Political approval was measured by an approval rating of the political institutions derived from Afrobarometer.
- Workplace involvement is measured by the percentage of formally employed workers who belong to a trade union.

Social inclusion

This index is used to gauge the extent to which South Africans are integrated into society as a whole. The three measures used here are:

- Membership of cultural organisations.

- The proportion of households in which the household head has a partner.
- Home ownership which is used as a proxy for inclusion. There is a strong body of international literature pointing to home ownership as a prime motivator for individuals to include themselves in the community.

Economic participation

Both the components of this measure are well-known and need little expansion.

- Employment rate reflects the proportion of the economically active population who consider themselves employed or looking for work (narrow definition). The measure thus excludes that proportion of people who are of economically active age but who have given up on seeking employment. This latter group is no longer considered economically active.
- Average earnings indicate the earning received by workers. To keep the earnings for the two periods comparable, the 1995 earnings have been adjusted to reflect 2002 values by multiplying them by 1.53.

Economic preparedness

This composite index attempts to capture the extent to which the population can exploit opportunities should they present themselves.

The constituent measures include the:

- proportion of the adult population which is economically active.
- average number of years schooling.
- extent to which grade 11 progress to grade 12.
- proportion of science and technology enrolment in higher education institutions.

Safety and security

This index reflects not only people's exposure to serious crime (including murder, robbery with aggravating circumstances, common robbery, rape, assault, burglary and auto theft) but also the likelihood victims will see some element of justice.

The constituent measures are the:

- serious crime rate.
- court prosecution rate.
- The resolution rate.

The latter two are correlated but point to different dimensions of the security system. The prosecution rate indicated the likelihood a reported crime will end up with a suspect appearing in court. The resolution rate indicates the likelihood that suspect is convicted or acquitted.

Annexure IV: Sources

Note that the Ten-Year Review Synthesis Report was based on five cluster reports (described in the themes). All clusters and departments contributed and commented on these cluster reports. Further sources are listed in individual cluster reports. What follows are the main sources used for both the cluster reports and the synthesis. Individual departmental submissions are not listed.

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