

2.3 Economic

The *Ten Year Review* concluded that although great progress had been made, the dynamic of economic inclusion and exclusion posed a grave challenge and if allowed to persist could precipitate a vicious cycle of decline in all spheres. This assessment came after a decade in which economic policy had evolved from the macroeconomic imperatives of stabilising an economy in crisis to those of using the space created for speeding up growth and transforming the economy. Government's MTSF for 2004 – 2009 therefore made growing the economy and promoting social inclusion the central priority.

What the *Ten Year Review* said

- Macro-economic stabilisation, trade regime improvement, using natural resources and financial and physical infrastructure
- Good progress in areas primarily under state control; less so where dependent on private sector and civil-society attitudes and behaviour (e.g. investment, employment creation)
- Cost of institution-building a key limitation (agencies for small business, development, training, etc)
- Investment constrained by skills shortage, exchange rate and interest rate volatility, input costs, lack of competition, and perceptions of Africa and southern Africa.

Challenges

- Faster improvement in skills, labour market, input costs and implementation
- Continued prudent macroeconomic stance for a more stable currency and lower real interest rates; and enhanced public-sector investment
- Focused sector strategies in key growth and employment industries
- Faster industrial restructuring
- More effective restructuring of the state-owned enterprises (SOEs), better regulation and stronger competition authorities
- Adequate resources for empowerment, including agrarian reform and micro-credit
- Building on the Growth and Development Summit platform for sustainable job-creating growth.

2.3.1 Accelerated and Shared Growth Initiative for South Africa (AsgiSA)

The point of departure of the MTSF was that halving poverty and unemployment by 2014 required growth averaging 5% a year till then. That would mean ratcheting growth to an average of 4,5% a year from 2004 to 2009 and 6% from 2010 to 2014. To overcome the constraints to the faster growth, government launched AgsiSA in

2006, having systematically identified constraints to economic growth and inclusion as well as the interventions required. It focuses on six key “binding constraints”:

- Volatility and level of the currency (with focus on volatility)
- Cost, efficiency and capacity of the national logistics system
- Shortage of skilled labour, and the labour cost effects of apartheid spatial patterns
- Barriers to entry, limits on competition, limited new investment opportunities
- Regulatory environment and burden on small and medium businesses
- Deficiencies in state organisation, capacity and leadership.

Increasing gross fixed capital formation (GFCF) as a percentage of gross domestic product (GDP) from 16% to 25% by 2014 is also central to the growth strategy.

Advancing towards these objectives has required critical interventions and special programmes and projects to improve infrastructure, skills, the environment for small business and those in the Second Economy, competition and industrial policy and state capacity. These have been the focus of the economic sector since 2004, building on the first decade’s achievements, applying its lessons and addressing new challenges.

2.3.2 Growth and wealth creation

In the early 1990s, the economy was in recession, but since 1994 there have been 14 successive years of real GDP growth. The pace accelerated from about 2003, and with it GDP per capita growth. Increased employment and government’s redistributive social programme translated the growth into reduced poverty but without reducing overall inequality.

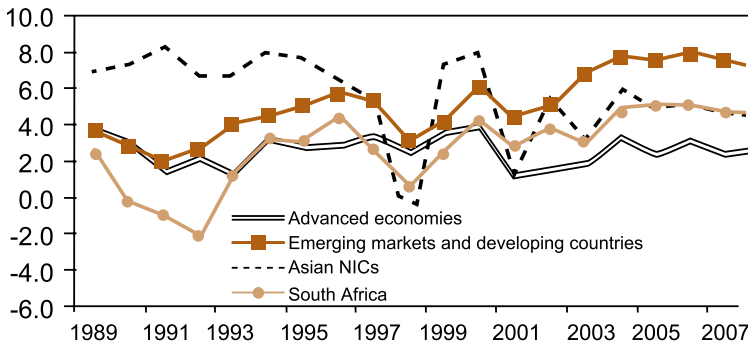
Table 6: Economic growth

Average annual growth in:	1994-2003	2004-2007
GDP	3%	5%
GDP per capita	1%	4%

Source: South African Reserve Bank *Quarterly Bulletin*

Though growth since 1995 compares well with advanced countries, it has been lower than other developing economies.

Figure 1: Comparative GDP growth rates



Source: IMF Outlook

2.3.3 Employment

Unemployment increased for several years, peaking at 31,2% in 2003 (using the official rate that defines the unemployed as a proportion of those either employed or seeking employment). Thereafter, faster GDP turned the trend as the net number of new jobs started to outstrip growth. By 2007, the unemployment rate was 23%. However, the labour force participation rate (the proportion of people either employed or seeking employment) is only 56,5%, much lower than the 65% average in comparable countries. (The implications of a change in the definition of employment introduced by Statistics South Africa during 2008 is discussed in Section 4.1.3 below).

Labour absorption in agriculture and mining lags the tertiary and manufacturing sectors – both shed more jobs than they created between 2004 and 2007. Although employment in both sectors increased from 2006, the labour absorption performance of agriculture is well below its potential.

The burden of unemployment falls unevenly. People aged 15 to 35 years make up a third of the unemployed, and more women are unemployed than men. African unemployment was 30,5% compared with 4,5% for whites in September 2007.

2.3.4 Macroeconomic stability

One of the major achievements has been to stabilise the economy. In 1994, it was recovering from its longest downward phase since 1945, lasting from March 1989

to May 1993. Confronted by an unsustainable budget deficit and high debt service costs, high inflation, low investor confidence and a run on the currency, government made macroeconomic balance the main focus of economic policy for much of the first five years of democracy.

- Total public sector debt was managed down from 44% of GDP in 1994 to below 20% of GDP in 2008. By 2006, there was a fiscal surplus.
- In 1991, core inflation reached 18,9% – from 1994, it was consistently below 10% until 2008.
- The South African Reserve Bank has reduced the net open forward position to zero (from a deficit of \$25 billion in 1994) and has built foreign reserves to over \$34 billion gross foreign reserves.

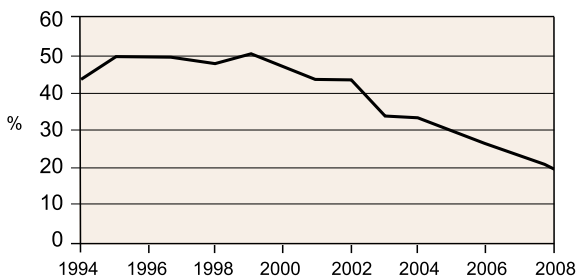
As a result, global investor confidence in South Africa improved. The bond points spread (the amount South Africa has to pay its creditors above the rate paid by the United States of America Government) declined rapidly from 291 points in 2001 to 94 in 2006. This meant lower debt servicing costs for the public sector, and cheaper credit for the private sector.

This rosy picture is overshadowed by low domestic savings and a large current account deficit.

Fiscal policy

Heading towards a debt crisis in 1994, government moved to stabilise the situation. Debt as percentage of GDP declined rapidly from 2000 onwards to below 20% in 2008.

Figure 2: Government debt as percentage of GDP



The country now spends less in debt service costs, enabling government to increase spending on priorities such as health, education and the improvement of public services. This put government in an enviable position of being able to increase real expenditure at the same time as it improved government savings by reducing the budget deficit.

Table 7: Government expenditure (% real annual growth)

Percentage growth	1995/96 to 2000/01	2000/01 to 2006/07
Social services	2,1%	8,3%
Protection services	2,6%	5,2%
Economic services	-0,8%	13,1%
Non-interest expenditure	1,6%	8,1%

Source: National Treasury

Increased revenue receipts assisted deficit reduction. Between 1996 and 2006, revenue collected quadrupled and the number of taxpayers more than doubled. South Africa achieved its first-ever budget surplus in the 2006/07 fiscal year, in the context of rapid real increases in expenditure. This enabled government's fiscal policy to assume a counter cyclical stance, so as to smooth economic cycles, guarding against external shocks and contributing to overall savings, thereby raising investment capacity.

The rise in government revenues resulted from economic growth, improved collection and increased compliance. It took place in a context of tax reforms for small businesses, company tax cuts and reduction of the income tax burden for low earners.

Monetary policy

Monetary policy has been principally directed at influencing the quantity of money or the interest rate to achieve stable prices. Between 1994 and 2007, inflation averaged 6,3%. In 2000, government adopted inflation targeting as part of its anti-inflation policy to keep inflation within a band of 3% and 6%. From 2004 to 2007, inflation averaged 4,1% but has trended higher since 2006 when it breached the 6% level. To curb inflationary pressures, monetary policy entered a tightening phase.

While the cost of capital as measured by the real interest rate decreased steadily from a peak of 17, 8% during the Asian crisis to 5,25% at the end 2007, it remains high and is a serious drag on investment, especially small business investment.

For the most part, inflation since 2007 has been imported, driven above the target range by global fuel and food increases, amplified by a weakening exchange rate.

Balance of payments

Sustained faster growth over 4,5% between 2004 and 2007 threw the economy into external imbalance, as the current account moved into deficit. In the context of increasing employment and an expansionary government programme, and spurred on by low interest rates and a strong exchange rate, demand for imported consumer goods and capital goods surged.

As a result, the deficit on the current account at the end of 2007 reached 7,5%, then the highest level in five decades, and 8,98% in the first quarter of 2008. The uncertain global economic outlook and domestic factors such as the electricity outages resulted in an outflow of R21,7 billion in January 2008, demonstrating the risks of dependence on portfolio investments.

Investment and savings

The rate of investment or GFCF hovered around a dismal 15% to 16% of GDP for most of the period under review. Low levels of government investment had much to do with this, though private-sector investments were hardly impressive. A reversal of that trend came with the adoption of AsgiSA and an expansionary R482-billion infrastructure expenditure plan for the 2008 to 2011 period.

By 2007, GFCF had soared to 21% of GDP. If the growth in GFCF is sustained, the target of GFCF at 25% of GDP by 2014 should be attained even earlier.

Levels of private-sector investment are much higher than in 1994 and 2004, and there is a positive pipeline of about R200 billion foreign and domestic investment.

Net foreign investment has been positive, albeit dominated by portfolio investment. There have been some significant foreign investments in the motor industry, chemicals, mining and banking, but relatively little is green-field investment as most foreign direct investment has been the acquisition of major stakes in existing operations.

Significant constraints inhibit the expansion of investment. Various studies suggest that high interest rates, the low skills base and crime levels dampen private-sector investment. Escalating public investment spending on infrastructure faces challenges of human resources, as well as organisational and technical capacity, planning capacity and coordination. At the same time, slow private-sector response to investment opportunities has inhibited expansion of the country's productive capacity, resulting in periodic shortages of consumer goods (such as pasta and carbon dioxide for soft drinks) or inputs to infrastructure development (like cement).

Savings, meanwhile, show a steadily declining trend with gross savings to GDP declining to 14,1% in 2007. Compared to an average of 30% in middle income countries, this is worryingly low and inadequate to generate the resources needed for the targeted 25% level of GFCF without dependence on foreign capital inflows. The scale of such inflows increased from 2003 to 2007 at the same time as South African corporate savings declined.

2.3.5 Microeconomic reform

Industrial policy, industrial restructuring and trade policy

South Africa embarked on an ambitious set of tariff and trade policy reforms in the mid-1990s. Multilateral liberalisation through the World Trade Organisation (WTO) was combined with efforts to modernise industry. Growth sectors like autos and tourism and cross-cutting sectors such as information and communications technology (ICT) received special attention in the form of industrial development resources, including science and technology and human resource development funds.

These measures, together with global trends, contributed to structural change in the economy. A large contraction in the primary sector – mining and agriculture in particular – and a smaller one in the secondary sector went with substantial growth in the tertiary sector which contributed two thirds to GDP by 2006.

Table 8: Structure of South Africa's economy

	1980	1990	2000	2006
Primary sector	15,5	13,1	10,8	8,8
Secondary sector	27,6	26,0	24,2	23,6
Tertiary sector	56,9	61,0	64,9	67,6

Source: Rustomjee and Hanival, 2008, paper commissioned for the *Fifteen Year Review*

Since 1994, the economy has become more open, more productive and more outward orientated with both exports and imports growing rapidly.

Table 9: Growth of trade of developing countries

% Compounded growth 2001-2006	Export growth	Import growth
Brazil	18,8	10,4
China	29,5	26,6
India	23,3	29
South Africa	13,7	23,4

Source: Gonzalez-Nunez, X., 2008, paper commissioned for the *Fifteen Year Review*

Weak export performance is not merely a short-term problem. Between 1960 and 2004, the real value of South African exports grew by only 34% (about 0,7% per year). In the same period, exports grew 169% in Argentina, 238% in Australia, 1 887% in Botswana, 385% in Brazil, 387% in Canada, 390% in Chile, 730% in Israel, 1192% in Italy, 4 392% in Malaysia, 1 277% in Mexico and 120% in New Zealand.

An industrial development trajectory still skewed to the highly developed minerals and energy complex with weak linkages to other industries domestically had poor employment outcomes.

Part of the response to this problem was the Microeconomic Reform Strategy of 2001, which identified the major microeconomic constraints to the performance of the growth sectors. However, the pace of implementation of the strategy has been slow. Since 2004, industrial policy has broadened to encompass further sectors. AsgiSA identifies a range of priority sectors that have been incorporated in the National Industrial Policy Framework (NIPF) and Industrial Policy Acton Plan adopted in 2007 to introduce a more integrated and focused attention to microeconomic change. Movement towards implementation of sector strategies has been uneven, with tourism, business process outsourcing, and the automotive, chemicals and metal and engineering industries registering welcome progress. The Automotive Production and Development Programme was finalised in September 2008 after several delays.

The acceleration of growth over the past few years has highlighted the infrastructure bottlenecks in the economy and the consequences of inadequate foresight, planning and investment in this regard.

Since 2006, with the update of the National Spatial Development Perspective, there is greater appreciation of sub-national regions as critical foundations of development processes and drivers of domestic and international competitiveness and social equity. The challenge is to strengthen the institutional arrangements to drive regional development initiatives within a coherent long-term national strategic planning process.

There is a range of development finance institutions (DFIs), such as the Development Bank of Southern Africa, the Industrial Development Corporation and the Land Bank. They have contributed positively since 1994 with their ability directly to intervene beyond market forces and private-sector initiatives. They could however become more effective with greater clarity regarding their sometimes overlapping mandates and better reach into their targeted sectors. Critically at the level of policy, there is a need on the part of government to find an appropriate balance between requirements for DFI financial self-sufficiency and the risk inherent in development finance.

Competition and regulation policy; and restructuring of SOEs

Important sectors of the South African economy are still dominated by a few large firms, which at times engage in uncompetitive and problematic pricing behaviour (such as import-parity pricing, collusion and high price mark-ups) often to the detriment of consumers and downstream labour absorbing sectors.

Initially, competition authorities were more effective in merger control than in combating prohibited practices. Since 2003, however, the Competition Commission has paid greater attention to fostering compliance with the law and a culture of competition. Investigations of restrictive activities have led to some prominent firms being penalised.

Beyond the work of the competition authorities, government recognised the need for better regulatory oversight over SOEs, particularly those that were commercialised or privatised in monopoly or semi-monopoly markets. A framework to ensure a co-ordinated and structured approach to regulation is near finalisation. This will help address issues such as policy frameworks to guide regulators, and their capacity, especially in relation to the entities they are meant to regulate.

Empowerment

The Constitution provides for measures to overcome the consequences of apartheid discrimination against the majority. Black Economic Empowerment (BEE) is one measure to surmount the disparities in wealth and income. The Broad-Based BEE Act was adopted in 2003 and Codes of Good Practice gazetted in 2007.

Table 10: BEE transactions over the last 13 years

	1995	1997	1999	2001	2003	2005	2006	2007
Total BEE	18,8	10,4	10,8	8,8				
Transaction (R bn)	12	8	23	25	42	56	56	96
Total M&A transactions (R bn)	43	166	236	502	150	269	284	514
BEE as % of all M&A transactions	27,9%	4,8%	9,7%	5,0%	28,0%	20,8%	19,7%	18,7%

Source: *Development Indicators, 2008*

After a fast start in 1995, the value of BEE transactions as a proportion of all mergers declined between 1996 and 2002 and then picked up from 2003.

Empowerment in the workplace and employment equity are improving steadily if slowly. Black representation in top management reached 22,2% and 25,7% in all senior management positions in 2006.

Table 11: Percentage of top and senior managers who are black

%	2000	2004	2006
Senior managers	18,5	25,7	26,9
Top managers	12,7	21,1	22,2

Source: *Commission for Employment Equity Report, 2006 – 2007*

In 2006/07, top management consisted of 78,4% male managers and 21,6% female (black females 6,6%). Senior management was 72,4% male and 27,4% females. Private-sector gender equity lags behind government with 7,8% of top positions being held by women compared with 32% in government.

Persons with disabilities make up 1,4% of top management; 0,7% of senior management; and 0,5% of middle management.

Skills development

Government has directed significant resources towards skills development. Since 1994, it has completely recast the skills development environment, focusing on transforming public education and training institutions and establishing new training institutions.

The 1998 Skills Development Act brought 25 Setas that cover clusters of industries. Their boards include representatives of workers, employers and government. The skills development levy generates over R6 billion a year. Through the Setas and the National Skills Fund, skills-development interventions have been initiated in cooperation with a range of training and education institutions and government programmes such as the Expanded Public Works Programme (EPWP). The interventions have contributed to improving the situation of young people, the unemployed and those in employment.

However, many of the Setas have shown signs of gross inefficiency and a review of the Seta landscape is underway.

In addition, interaction between the institutions and users has been less than optimal. They have not produced the skills the economy needs on a sufficient scale. To help rectify this, the Joint Initiative on Priority Skills Acquisition (Jipsa) was launched in 2006, to catalyse a more adequate supply of skills to the economy.

Among Jipsa's achievements are: more resources to increase the number of engineering graduates; increased registration of artisans; targeted training for business process outsourcing as a strategic growth sector; and placement of over 15 000 unemployed graduates in companies in South Africa and abroad. The Dinaledi Schools initiative will help improve mathematics, science and language competence in public schools.

In the longer term, enhanced training programmes will need to combine with improved quality of the schooling system to ensure a sustainable supply of relevant skills to the economy.

2.3.6 Second Economy

The notion of the "Second Economy" focuses policy attention on structural inequality, disadvantage and marginalisation that marks much of South African society.

Second-economy programmes, as part of wider anti-poverty measures, promote access to economic opportunities and help improve the returns from economic participation for poor people, whether as producers, workers or consumers.

The EPWP is the flagship public employment programme. It creates temporary work opportunities with on-the-job training to improve participants' chances of sustainable employment. It reached its target of one million work opportunities in 2008, before the target year of 2009. In the social sector, significant EPWP opportunities have been identified in ECD and Home/Community-Based Care but implementation has been slow. The environmental sector has delivered to the full capacity of available budgets.

Progress with regard to the National Youth Service programme has been retarded by its reliance on departments to identify and create youth-service opportunities from within existing budgets. Lack of clear policy around payment of stipends has affected take-up.

Central to government's approach to inclusive economic development is support for the development of small business and enterprises in the informal economy. Extensive small business support measures have been created and consolidated, but the SMME sector remains small compared to other developing countries. Much needs to be done to improve market access for marginalised producers and address structural constraints that limit the growth and competitiveness of the sector.

Some 1,3 million households have access to land for farming, often small plots. Outputs are generally low, but the Integrated Food Security Strategy and some provincial programmes to boost returns from commercialising subsistence agriculture have shown steady improvements. A range of initiatives to link smallholders into agro-processing value chains have been initiated, in forestry, sugar and biofuels.

As noted in the *Social Theme*, the economic impacts of land and agrarian reform are mixed and there is a need for stronger post-settlement support. The land and agricultural sector currently lacks a clear mission to focus agricultural production towards addressing rural poverty and promoting national food security. The large increases in food prices in 2008 have impacted particularly on the poor. Global factors suggest that this trend is likely to continue. In this context, South Africa sensibly took the stance of ensuring that biofuel production does not undermine food production.

Ultimately, broadening access to land as well as ensuring responsive and effective agricultural extension services are crucial to realising the potential of agriculture to address rural poverty and enhance the country's food security.

2.3.7 Sustainable development

Government has since 1994 given attention to sustainable development and its mainstreaming. South Africa's hosting of the World Summit on Sustainable Development in 2002 gave impetus to the process. Government's 2006 *State of the Environment Report* provided a comprehensive analysis of the state of South Africa's natural resources and ecosystems.

The report concluded that since 1994, South Africa has developed an advanced system of "Environmental Governance" to manage the country's natural resources and ecosystem services on a sustainable basis. The National Environmental Management Act, 1998 and other legislation promote conservation and sustainable use of South Africa's biodiversity. It is mandatory for all new developments with potential environmental impact to conduct environmental impact assessments, with the aim of proactive mitigation. Bureaucratic bottlenecks in implementation led to new regulations in 2006 to speed up processes.

In spite of this framework, the *State of the Environment Report* found worrying signs that economic growth and development were happening at the expense of our natural resources and ecosystem services. Among other things, the fact that South Africa is a water-scarce country has become more apparent. The new National Framework for Sustainable Development, which was published for comment in 2007, argues that if our long-term economic performance is to avoid breaching key ecological thresholds, we need new technologies and processes that produce more output with less energy, fewer resource inputs and reduced waste. It holds that poverty-eradication efforts could be undermined if scarce resources continue to be directed into subsidising inefficient and unsustainable resource use.

In this context, possible market-based instruments are being investigated, such as taxes, charges and incentives that could promote environmental protection and biodiversity conservation.

2.3.8 Innovation and research and development (R&D)

Investment in R&D slowed during the 1990s, from 1,1% of GDP in 1990 to 0,7% in 2003. Since 2004 it has increased, reaching R14 billion or 0,92% of GDP. This puts the country on course to meet its R&D expenditure target of 1% of GDP. According to the World Bank's Knowledge Assessment Methodology, South Africa ranked 50th in 2007, nine places lower than in 1995. The most important factors responsible for the decline are education, ICT and innovation. However, the introduction of a stronger tax incentive for R&D in 2006 was an important step forward.

The rate of patent registration is a measure of country innovation. The number of patent applications fell sharply in 2001, but has begun to recover since then. South Africa is a non-examining country, which means that the responsibility for ensuring that an application is valid resides with the applicant. The Companies and Intellectual Property Registration Office does not investigate the novelty or inventive merit of the invention – it only verifies the form or documentation and not the substance of the product or process. No online search facilities exist for South African patents and all searches are carried out by hand at the Patent Office through a card-based system.

In 2007, government launched a Ten-Year Innovation Plan to “help drive South Africa's transformation towards a knowledge-based economy, in which the production and dissemination of knowledge leads to economic benefits and enriches all fields of human endeavour”. Sectors which should benefit from the plan include biotechnology and pharmaceuticals, space science and technology, energy security, climate change and highlighting the role of science and technology in driving growth and development.

2.3.9 Conclusion

Key issues for further attention in *FINDINGS*

- Macroeconomic stabilisation created space for growth and redistribution
- Current confluence of negative indicators shows need for faster action on growth constraints and restructuring productive capacity
- Coordination in economic policy development and implementation is an issue
- Impact of second-economy interventions below required scale
- Regulation regarding competition and SOEs need strengthening
- Energy and food security becoming more prominent issues.

2.4 Justice, Crime Prevention and Security (JCPS)

2.4.1 Transforming and strengthening departments

In 1994, the country inherited multiple criminal justice and security systems that needed to be amalgamated and transformed in line with the democratic Constitution. Steeped in a culture where human rights and civil liberties received little protection, unrepresentative in their composition and in the allocation of resources to different sectors of society, the justice and security agencies mostly lacked legitimacy in the eyes of the great majority of the public. They often acted in an uncoordinated way without credible oversight and control. Crime was increasing, becoming more violent and complex; court cases were proceeding more slowly and prisons overcrowding.

The new government had to transform and strengthen the JCPS departments to make them legitimate, accountable and effective.

What the *Ten Year Review* said

- Policy framework and priorities remain valid
- Significant progress in: national security, rule of law and transforming institutions that were the frontline defence of apartheid
- Slow transformation of the criminal justice system
- The social transition and new forms of organised crime reduced gains in crime prevention and combating.

Challenges

- Strengthening all structures and building an efficient, integrated criminal justice system, addressing human resource development matters across the cluster, including the judiciary
- Reducing case backlogs, establishing an effective offender rehabilitation programme
- More involvement of citizens and strengthened social fabric as essentials for significant crime reduction
- Accelerated social programmes that help prevent crime from taking place
- Improved visible policing and social partnerships, particularly in dealing with priority crimes.

By 2003, much had been done to transform these institutions. They had prioritised the defence of apartheid but were required in a democratic society to ensure everyone's safety and security. They became subject to oversight and control mechanisms. They played a critical role in the major reduction in political violence and in securing three rounds of elections.

Integration brought standardisation of 11 different sets of rules and procedures across the country for the police, the courts, intelligence and defence, as well as rationalisation of structures. Integration and new recruitment procedures have made the departments representative of the South African population.

Transformation also involved the adoption of a new ethos that saw crime as not just a security issue but also a social issue requiring community respect for and participation with the police service, that required courts to be friendly and service-oriented and that focused prisons on rehabilitating offenders to break the cycle of crime.

Enhancing the capacity of the departments was an element of transformation, involving both equipment and personnel.

Instruments for quicker and more effective processing include:

- the South African Police Service (SAPS) Automated Fingerprint Identification System (AFIS) introduced in 2002
- the decentralisation and continuing expansion of the Forensic Science Laboratory Service
- the Home Affairs National Information System (HANIS), which has been implemented in phases since 2003
- the criminal justice system e-docket and e-Scheduler System
- the upgrading of technology at border posts and ports of entry.

Cluster department budgets have expanded rapidly, much of it for more personnel.

Table 12: Expanding budgets in the criminal justice system

Department	Period	Budget
Police	1992/93 to 2007/08	R5,645bn to R35,917bn
Justice	1992/93 to 2007/08	R7,835bn to R8,805bn
Corrections	1991/02 to 2007/08	about R1bn to about R11bn

Source: Departmental reports

From 2002/03 to 2006/07, the SAPS enlisted 64 060 personnel. That took the total to 163 416, and the number is expected to reach 193 240 by 2010.

Nevertheless, the progress of the first 10 years was insufficient. There was a need to further strengthen departments. Integrated strategising and action remained a challenge. In 2005, government initiated a comprehensive review of the criminal justice system in conjunction with the Big-Business Working Group. The proposals emerging from the two-year review were adopted by Cabinet in late 2007. They emphasised the organisational challenges of bringing down levels of crime. They focused on the need to prioritise building greater capacity of the departments, in terms of skills; modernisation of technology (including the fast-tracking of existing modernisation initiatives); resources; and the ability to strategise, plan and work together in an effective and integrated way, rather than as separate components.

Transformation of the judiciary

Because of the role of the judiciary under apartheid, judicial transformation in democratic South Africa has had several aspects.

First and foremost, South Africa's constitutional system changed from parliamentary sovereignty to supremacy of the Constitution. This redefined the independence of the judiciary and made constitutional values, rather than Parliament's intentions, the guide judges follow in interpreting statutes. The Constitution is also transformative in nature, enjoining redress of past injustice and realisation of aspirations. This gives the judiciary great potential to play a progressive role. It is in this context that the imperative to transform the judiciary must be understood.

Secondly, the role of the Judicial Services Commission (JSC) in appointing judges constitutes a radical break with the past. Comprised, among others, of senior judges; the minister responsible for the administration of justice; legal practitioners and MPs, the JSC – along with the Magistrates' Commission – has contributed to the evolution of a judiciary increasingly representative of South African society. By mid-2007, 52% of judges and magistrates were black (African, coloured or Indian) and 30% women. There is still a way to go, but it is far from the 1994 situation. Transformation faces challenges arising from a past which led to a relative shortage of skilled and experienced black lawyers who could be considered for appointment to the bench – and from the orientation of training and outlook in the country's law schools and consequently in the judiciary itself.



Judgments of the Constitutional Court have tended to reflect deep understanding of the constitutional imperatives and progressive interpretation of the Constitution and social rights in particular. Government's response to court judgments, whether they were favourable to government or not, has been respectful and helped reinforce the legitimacy of the courts.

The extensive power that the Constitution places in the hands of the judiciary gives continuing life to debate and contestation regarding the balance between judiciary, executive and legislature. Most recently, this has been in relation to legislative measures proposed by government to enhance efficiency in the administration of justice, a matter that has also come to be regarded as an aspect of transformation because it affects public access to justice. At issue also is a question whether sufficient thought has been given to how the principles of cooperative governance apply between different arms of the state, in this instance the judiciary and the executive.

Some public ambivalence and debates around some judgments seen as reflecting racial or gender stereotypes, or as having political motivation, have found more vocal expression in the recent period. Particularly when linked to party-political dynamics, such challenges could be beginning to detract from the popular legitimacy of the courts.

2.4.2 Reducing crime and enhancing safety

From 1995, anti-crime efforts have been guided by the National Crime Prevention Strategy. As it developed, it came to include:

- a National Crime Combating Strategy
- the Integrated Justice System programme
- a Sexual Offences and Community Affairs Unit focusing on crimes against women and children
- the Directorate of Special Operations (DSO) and Asset Forfeiture Unit in the National Prosecuting Authority (NPA)
- Financial Intelligence Centre focusing on organised crime; and a Victim Empowerment Programme.

Table 13: Broad categories of reported crime

Crimes /100 000 population	1994/95	2002/03	2004/05	2007/08
Property crimes	1 689,1	1 605,4	1 282,0	1 090,0
Contact crimes	1 625,8	1 951,7	1 810,4	1 403,7
Theft and commercial crime	1 328,9	1 640,1	1 404,2	1 102,5
Damage to property and arson	346,0	365,8	341,3	301,7
Firearms, alcohol and drugs	212,9	201,9	277,8	357,5
Total crimes	5 202,7	5 764,9	5 115,7	4 255,4

Source: *Development Indicators 2008*, using data from SAPS

The level of reported crimes remained at the 1994 level until it increased from 1998 to peak in 2003. It then began decreasing. In absolute terms – and therefore also in per capita terms – most categories of crime are stabilising or decreasing in comparison with 1994. The exception is firearm-, alcohol- and drug-related crimes, the type of crimes whose reported levels tend to reflect increased police action.

Within the overall trends there are shifts in the patterns of crime. Contact crimes have become a greater proportion of the total. Within contact crimes there is further differentiation. From 1994 to 2007, the murder rate decreased by 42%. But the number of robberies increased substantially over the same period (though decreasing since 2003/04, and constituting a small proportion of crime). The increase in robbery corresponds with the fall in property crimes, mainly burglaries and vehicle theft, suggesting a response by criminals to actions by the public to secure their belongings.

Victim surveys by the Institute of Security Studies (ISS) show trends consistent with those of the SAPS. They point to crime being down overall by 12% since 1998; and 4% since 2003. They show decreases in housebreaking, corruption, theft out of vehicles and stock theft – and notable increases in household and business robbery, and car theft. The ISS victim surveys also reflect the shift towards more violence. Overall experience of crime in South Africa, reflected in victim surveys, are of a similar level to many other countries. However, robbery rates, in particular incidents with firearms, are very high. WHO epidemiological estimates of homicide rates, likewise, put South Africa's murder rate as comparatively high.

On the one hand, the impact of the National Crime Combating Strategy – whose implementation began in earnest in 2002 – is evident in the positive reversal of

almost all crime trends. On the other hand, the extent of violence in crime persists as an urgent challenge in a manner that was not foreseen.

At the next stage in the cycle of dealing with crime, namely the courts, there has been some improvement in performance attributable to the Integrated Justice System. Nevertheless, the trends suggest a system struggling to cope with its load. There are increased conviction rates in finalised cases, but the outstanding roll grew by 9% from 2002/03 to 2006/07. That happened despite fewer new cases being referred to court in line with the overall decrease in crimes and more diversion of cases from courts. A problem in court management is also suggested by a decrease in cases finalised. More cases being withdrawn reflects a gap between detective and prosecution services.

Table 14: Court processes

	1999/00	2002/03	2006/07	2007/08
New cases in court		1 117 879 in 2002/03	875 038 in 2005/06	
Withdrawals		363 391	587 037	
Finalised cases		407 350	313 702	
Conviction in finalised cases	80%	82%	85%	86%

Source: *Development Indicators, 2008* citing departmental reports

At the final stage in the process, namely Correctional Services, one can again observe the combination of impact of crime trends, advances in policy and constraints of capacity. The challenge is to deal simultaneously with a number of objectives: reorienting the system to rehabilitation rather than retribution to help reduce crime, fighting corruption and maintaining safe custody.

Despite initiatives to deal with overcrowding – new prisons, alternative sentencing, correctional supervision, an awaiting-trial project and parole – the problem has grown. From 1995 to 2007, the capacity of the prisons increased from 95 000 to 115 000, while the number of prisoners went from 111 000 (107% occupancy) to 161 000 (141% occupancy).

The growing incarceration rate is linked to the growth in violent crime. Part of the response has been longer sentences and the introduction of minimum sentences.

Consequently, a growing proportion of offenders serve longer sentences. There was a 31% increase from 1999 to 2007 in sentenced prisoners convicted of aggressive (violent) offences and a similar increase in those convicted of sexual offences. The proportion convicted of economic (mainly property) offences decreased by 47%.

The crime trends also point to an urgent need for more attention to those elements of the National Crime Prevention Strategy that address the causes of crime. There is growing consensus that what is critical is to improve the built environment, reduce poverty and strengthen social cohesion as well as action that credibly conveys the message that crime does not pay.

The cluster has implemented special initiatives intended to improve its effectiveness. Among those that have made some impact are the specialised courts for commercial crimes and sexual offences, and the Community Policing Policy.

Community policing forums were introduced on the premise that success in fighting crime depends on cooperation of the community with the police. The forums work with local government to implement crime prevention policies. Their strength varies but they have brought a better relationship between the police service and the communities they serve. Constraints on the scope of what the forums could do, led government to propose an enhancement of their functions.

Relations with organised business have progressed from the partnership with Business Against Crime – which, among other things, brought about major declines in street crime in targeted city centres – to the joint initiative with the Big Business Working Group to review and revamp the criminal justice system.

How much must be done to mobilise citizen participation is reflected in the 2007 ISS *Victim Survey*. It showed that though the level of awareness of the community forums was not insignificant, only about 10% of the public belong to, or have ever attended, a meeting of a community group concerned with crime.

While advances have been made since the attainment of democracy, with new policies and alignment of practices with the constitutional values, the criminal justice system departments clearly need to review how they interact with one another and with society. They need strengthening with regard to personnel. Technology needs to be modernised, especially in areas of strategic importance that affect detection rates, management of the court system and rehabilitation. These

imperatives are not fundamentally different from those identified five years ago in the *Ten Year Review* and there is an urgent need for more substantial progress.

2.4.3 High-priority crimes

Violent crimes against women and children

Combating violent crimes against women and children has been a priority.

Specialised courts dedicated to sexual offences (63 of them) have been established across the country. Thuthuzela Care Centres help prevent secondary trauma for victims of these crimes and also assist in improved conviction rates and speedy justice. Prosecutors, police, magistrates and doctors have been empowered with specialised skills. Dangerous sexual offenders are kept under long-term supervision on release from prison. Amendments of the Sexual Offences Act in 2007 and Children's Act in 2008 strengthened the legal weapons for fighting abuse. Minimum sentences have been implemented and a victim empowerment charter (still to be implemented) has been developed.

Specialised centralised units in the SAPS to deal with family violence, child abuse and sexual assault were established, and in 2007 their functions were decentralised to empower the station level to better deal with these matters.

Although progress has been made during 2008, the NPA identified shortcomings in procedures in the hearing of child-rape cases which needed attention.

The incidence of reported rape increased from 1994, then fell back to 1994 levels by 2002 and has since fallen lower (76 per 100 000 in 2007/08 compared with 115 in 1994/95). As a proportion of overall violence against persons, crimes against women and children have not, however, shown significant change. Over half of common assaults and half of assaults with grievous bodily harm are against women and children. Children are the victims of 40% of rapes.

The measures taken have strengthened the state's capacity to deal with sexual assault and other violence against women and children. Detection rates are relatively high due to the frequent interpersonal relationship between victim and offender. Conviction rates in dedicated courts increased from 63% in 2004/05 to 70% the following year. Where there are Thuthuzela Centres, conviction rates range between 74% and 82%.

The nature of these crimes makes cooperation between police and community especially important. The annual campaign of 16 Days of Activism for No Violence Against Women and Children has over nine years focused on mobilisation of communities. This partnership of government and civil society has given rise to the 365 Days Action Plan, which seeks further to mobilise society and promote practical action.

Organised crime and corruption

Some of the crimes most prominently associated with organised crime decreased markedly from 2001 – e.g. bank robberies and truck hijacking – and there was a slight decrease in car hijacking. Cash-in-transit heists decreased markedly in 2007 from a peak in 2006. These advances can be attributed to specialised task teams that were set up to deal with these crimes. However, from around 2005 there has been a sharp increase in serious robberies that points to the work of organised groups, in particular business robbery. The successes show the impact of concerted efforts and good intelligence – and the reverses show how organised crime shifts its operations in response. These trends underline the need for adaptability in the fight against organised crime.

Government has taken a number of measures to fight organised crime. Apart from the powers in the Prevention of Organised Crime Act, it created a number of specialised units:

- SAPS Organised Crime Unit
- DSO and Asset Forfeiture Unit in the NPA
- Financial Intelligence Centre
- specialised commercial crime courts.

The fight against organised crime has included partnership with multilateral organisations and countries of the region.

In 2008, legislation was introduced to merge the functions and powers of the DSO and SAPS Organised Crime Unit into a single agency within the SAPS.

The measures that have been taken enable a number of actions:

- detection of crime through protection of whistle blowers (Protected Disclosures Act)

- confiscation of the proceeds of crime
- linking of public and private sectors in monitoring financial activities that could involve money laundering
- monitoring cellular phone communication under strict conditions, using the Interception and Monitoring Act.

The Organised Crime Unit dismantled 273 clandestine drug laboratories between 1994 and 2007, and neutralised 738 syndicates. Between 2002 and 2007, the DSO finalised about 1 300 investigations and initiated just over 1 000 prosecutions with an average conviction rate of 85%. The Asset Forfeiture Unit won forfeiture orders involving more than R115 million and froze assets worth over R550 million.

Action against organised crime has had significant impact. Crime trends underline the challenge of sustaining, intensifying and streamlining the efforts as organised crime seeks to adapt to the advances of the state.

Illegal firearms

An exceptionally high rate of reported firearm crime and violence prompted action to regulate ownership of legal firearms and reduce the number of illegal ones. Most firearms used in crime are illegal. They are mainly stolen from or lost by civilian owners or state armouries and personnel or imported illegally.

Action started with a campaign to persuade people to voluntarily hand over firearms. At the same time, redundant firearms in SAPS possession were destroyed. An audit of firearms held by government departments was conducted; and there were operations to recover illegal firearms in high-crime areas. There were joint operations with the Mozambican authorities to destroy weapons caches; and participation in the development of a United Nations (UN) Protocol against Illicit Manufacturing and Trafficking in Firearms. Stricter criteria were applied in the granting of civilian firearm licences.

More comprehensive and stringent firearm-control legislation was promulgated in 2000 and introduced between 2000 and 2004 in a phased way.

By the end of 2007, SAPS estimated that there were 2,5 to three million civilian licensed firearms in South Africa, a 44% reduction since 1999. The number of firearms reported lost or stolen has declined by 24% from 2004, indicating more re-

sponsible and safe firearm ownership. The SAPS has destroyed over half a million firearms since 2000, nearly half of that amount between 2005 and 2006, following a firearm amnesty in 2005. Firearm-related deaths (relative to other violent deaths) in major urban areas decreased by about 50% from 2001 to 2004.

The challenge is to sustain the efforts to regulate legal ownership of, and reduce illegal weapons.

2.4.4 Security

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

Political violence

Political interventions reduced political violence and intolerance from levels of great concern in the first years of democracy, particularly in parts of KwaZulu-Natal, Eastern Cape and Gauteng, to a still unacceptable but sporadic phenomenon.

The Truth and Reconciliation Commission helped deal with the consequences of political violence and human rights abuses under apartheid. Implementation of its decisions continues. This includes payment of restitution and reconstruction projects in the most affected communities. The dignity of communities and individuals is being restored with regard to place names, historical monuments and identification and reburial of those killed in instances of human rights abuse.

However, the use and encouragement of violence in pursuit of socio-economic objectives has taken a worrying turn, particularly since 2006. Strikes or protests have been marred by violence, in some instance fatal, against individuals and destruction of property. In 2008, violent action against people from other countries and, in the process, other South Africans, and destruction and looting of property, flared up on an unprecedented scale in a few communities across a number of provinces.

Terrorism

In the years since the attainment of democracy, government has successfully dealt with manifestations of terrorism – the deliberate targeting of civilians in political conflict – in South Africa. It has played its part in combating international terrorism in a manner consistent with the tenets of our Constitution and international law.



Urban terrorism in the Western Cape started in 1996. By 2000, it was virtually brought to a complete end, due to coordinated operations of intelligence and law-enforcement agencies that led to successful prosecutions and long prison sentences for those responsible.

When right-wing terrorist groups sought to mount challenges to the legitimacy of the state during 2002, intelligence and law-enforcement agencies uncovered the plans. They confiscated large amounts of explosives and firearms, and brought the suspects to court in a trial which is still proceeding. Since then, small political groups with radically right wing views have been active. But they have little impact on opinion beyond their ranks and there is no evidence of resurgence of underground structures.

Border control

Border control has to facilitate legitimate trade and commercial activities, as well as tourism, while detecting and preventing illegal movement of goods and people and the operation of transnational organised criminal networks.

Control of the country's borders has become more coordinated with the establishment of the Border Control Operational Co-ordinating Committee. It includes Home Affairs, Intelligence, Transport, SAPS, Public Works, Agriculture, Health and the South African National Defence Force (SANDF). Responsibilities of departments have been rationalised. Infrastructure at entry control points has been upgraded and technology modernised. Government has entered into agreements with neighbouring and other countries.

Seizure of counterfeit goods fluctuated between R230 million and R450 million over the four years up to 2006/07. During the same period, narcotic seizures grew from 56 to 381. A very large growth in cigarette smuggling in the same period saw the value of such seizures grow from R35 million to R63 million. Cash, endangered species, explosives, motor vehicles and precious stones and metals are among the other illicit goods that border control has regularly seized.

However, management of the border environment has been hampered by lack of a comprehensive policy on migration, a factor contributing to some of the social tensions which, along with various other factors, has played a part in violence against people from other countries.