



Reviewing *the macro environment*

Since the establishment of democracy in South Africa in 1994, the country has seen several developments in the political, social and economic climate. An analysis of the current situation goes a long way to reveal the successes that have been achieved on a national, regional and global scale, while it also identifies a number of challenges and priorities for the road ahead.

The electoral mandate on which the country's medium-term priorities are based (Vision 2014) calls for a growing economy, a sustainable livelihood for all, access to services, comprehensive social security, and the elimination of crime and corruption, supported by a capacitated public service that upholds its citizens' constitutional rights.

Governance

The democratically elected government of 1994 has given rise to the transformation of governance structures, including the public service and other coordinating structures. Over the past few years, the guiding force has been the Medium-term Strategic Framework (MTSF) of 2006 to 2009. The objectives contained in this framework include growing the economy, involving the marginalised communities in economic activities and reducing reliance on grants as economic interventions succeed. It is important to improve the performance of the state and enhance international relations to promote growth and social inclusion.

Society

The people of South Africa have experienced an increase in poverty alleviation in terms of

income, human capital and assets. By 2008, the Expanded Public Works Programme (EPWP) had already created a million jobs, while an increase in the beneficiaries of social grants has resulted in improved social security. Access to basic services such as electricity, water, sanitation and education has improved, while increased housing subsidies and the settlement of land restitution claims have benefited many.

Economy

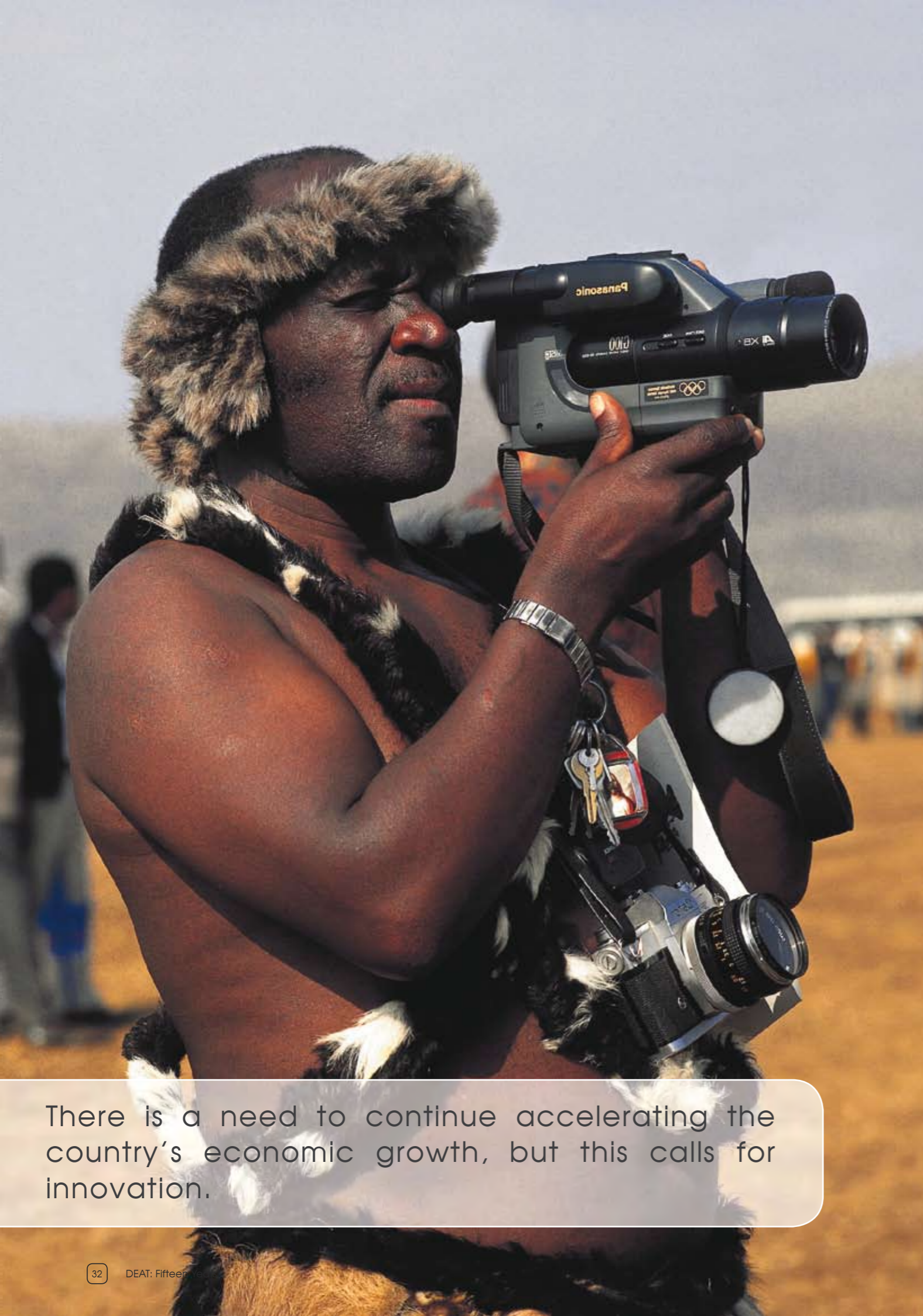
There has been economic growth and macro stability over the past couple of years. However, the unemployment burden is still on low-skilled people and mostly affects the youth and women. The government's fiscal and monetary policies have succeeded in reducing debt and enabling more social spending. The focus of government's Joint Initiative on Priority Skills Acquisition (JIPSA) has also boosted efforts to enhance skills development.

Security

The Justice, Crime Prevention and Security sector is characterised by reduced political violence. Although the crime rate peaked in 2002, it has declined over the past 15 years in



The V&A Waterfront in Cape Town is a safe tourist attraction.



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real terms. This decline has enhanced safety and security in the country. Much has been done to transform the criminal justice system, resulting in confidence that criminal justice system institutions are qualitatively better than in the past.

International relations, peace and security

There is a greater expectation than in the past on South Africa to lead global engagements on behalf of Africa, and thereby contribute to Africa's economic growth. South Africa has achieved much success in advancing and consolidating the African agenda internationally in its strategic relations. The reference point for engagement with Africa is the New Partnership for Africa's Development (NEPAD). South Africa has also contributed to peace and post-conflict reconstruction on the continent. In global terms, South Africa is an emerging country, and multilateralism helps to level the playing field for smaller countries like South Africa. The country has pursued strengthened north-south and south-south relations through the establishment of strategic partnerships. Building south-south cooperation acquires new significance as countries like China, India and Brazil come to assume increasingly powerful global roles. South Africa's participation in forums like the G8 and the Organisation for Economic Cooperation and Development (OECD) has helped advance the African agenda and South Africa's development.

Challenges and priorities

Despite the many positive features of the current political, social and economic climate, the country also faces several challenges and priorities as it enters the next

phase in its history. These relate, among others, to the delivery capacity of local government, access to and the affordability of basic services, and inadequate skills. Currently, the poverty rate stands at 48%, and the unemployment rate at 23%. This makes South Africa one of the countries with the highest unemployment rates in the world.

Global issues such as the country's carbon footprint may start affecting tourism and trade. Climate change issues are also high on the agenda. There is a need to continue accelerating the country's economic growth, but this calls for innovation.

Socio-economic policies and programmes

The success of macro economic policy is generally based on five distinct objectives: economic growth, balance of payments stability, price stability/inflation, equity and employment. Since the late 1990s, there has been substantial progress in achieving the first three objectives, with equivalently less progress in the latter two.

The average economic growth rate from September 1999 until June 2005 was 3.5%, compared to less than 1% in the decade prior to 1994. Real growth accelerated to 5% in the second quarter of 2005, a record for post-1994 South Africa, but average when compared to other emerging market economies. The targets set for real growth are an average of 4.5% growth per annum for the period 2005 to 2009, followed by an average growth of 6% per annum for the period 2010 to 2014. Unemployment and poverty remain at persistently high levels and many of the country's citizens are not sharing in the benefits of increasing economic welfare.