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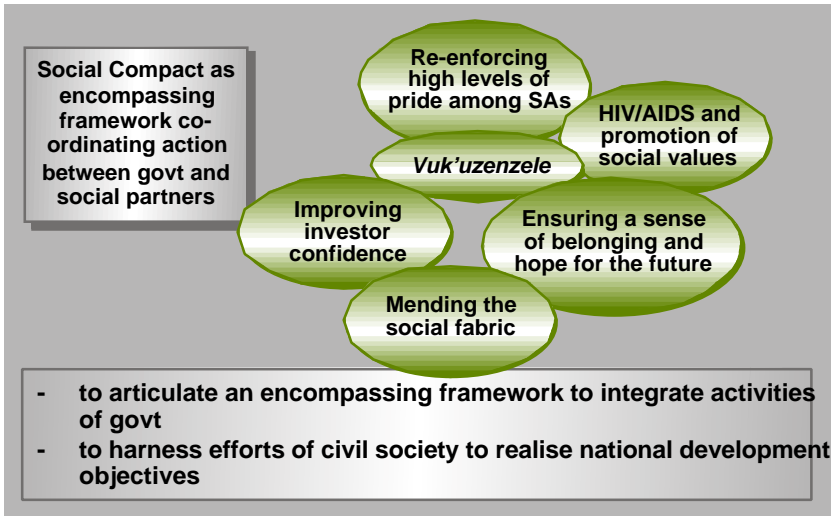
Given the observations outlined above, it would seem that the major intervention required in the coming period should be directed at consolidating democracy with measures aimed at integrating all of society into a growing economy from which they can benefit. This requires a framework defining a shared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

Social Compact as encompassing framework co-ordinating action between govt and social partners

Re-enforcing high levels of pride among SAs

HIV/AIDS and promotion of social values

Vuk'uzenzele

Improving investor confidence

Ensuring a sense of belonging and hope for the future

Mending the social fabric

- **to articulate an encompassing framework to integrate activities of govt**
- **to harness efforts of civil society to realise national development objectives**

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 macroeconomic 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.
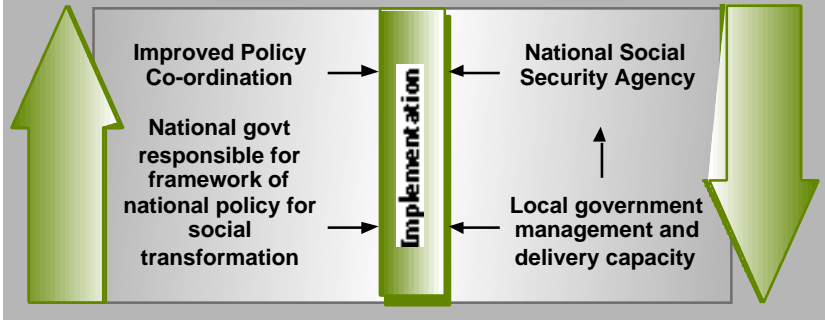
Serious consideration should be given to the nature of a social compact that can provide an encompassing framework for further development. It may also be necessary that beyond the need to improve the formal institutions of the State, much greater attention should be given to mending and reinforcing 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?

Improved Policy Co-ordination

National govt responsible for framework of national policy for social transformation

Implementation

National Social Security Agency

Local government management and delivery capacity

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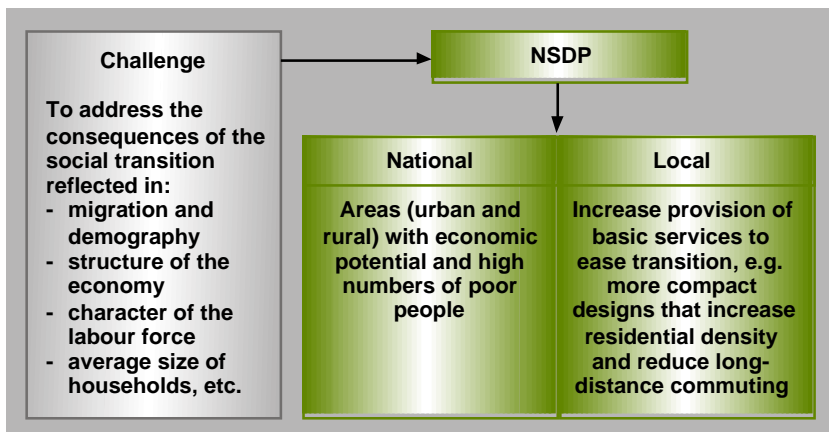
Related to this are the initiatives pertaining to project management, Community Development Workers, massive expansion of the one-stop government centre (MPCC) project and Gateway.

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

| Challenge	NSDP	
To address the consequences of the social transition reflected in: - **migration and demography** - **structure of the economy** - **character of the labour force** - **average size of households, etc.**	**National** Areas (urban and rural) with economic potential and high numbers of poor people	**Local** Increase provision of basic services to ease transition, e.g. more compact designs that increase residential density and reduce long-distance commuting

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
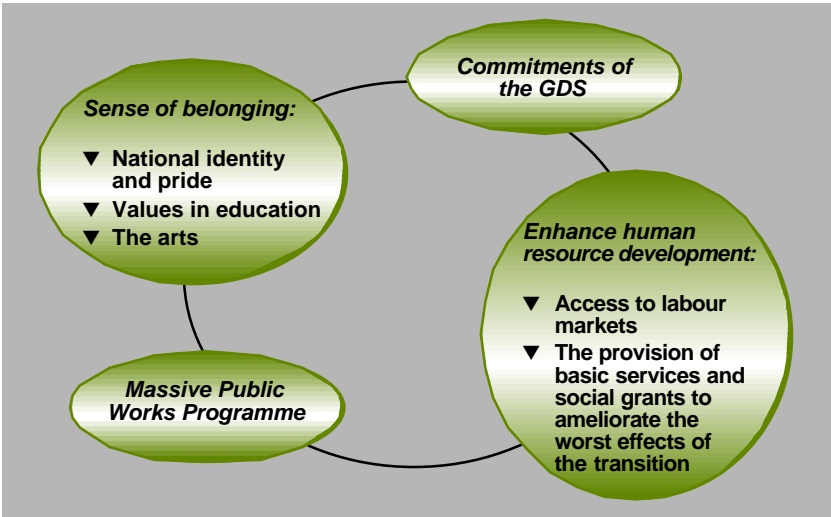
that will enhance human resource development, access to labour markets and the provision of basic services and social grants to ameliorate the worst effects of the transition. The NSDP will therefore assist government in dealing with the social transition by focusing its activities where it will achieve 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
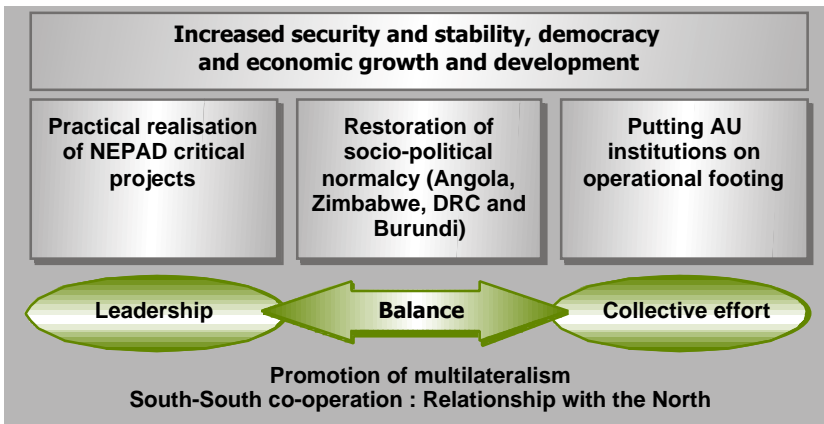
Business Trust. In addition, the BEE policy and programmes have helped develop a black business class that is able to assist in building such mutual trust and confidence. Government will need to build on these bridges if investment and growth are to increase for sustainable development. In other words, 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,

Increased security and stability, democracy and economic growth and development

| Practical realisation of NEPAD critical projects | Restoration of socio-political normalcy (Angola, Zimbabwe, DRC and Burundi) | Putting AU institutions on operational footing |

Leadership   Balance   Collective effort

Promotion of multilateralism
South-South co-operation : Relationship with the North

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 ❻as 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: