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2021 State of the Nation (SONA)

Economics | South Africa

President Ramaphosa presented a progress report and a long to-do list in this year's SONA

- The President struck a hopeful chord in last night's State of the Nation Address (SONA), framing 2021 as another year "...for change, progress and rebirth", similar to the 'new dawn' of previous years. There was a commitment not to make 'new' promises, but rather to report on the progress made towards reviving the economy. The President hoped to address criticism on government's failure to implement past plans by providing a tremendous amount of information. Amid all the detail, there was good news, particularly on energy reforms, albeit long overdue. Unfortunately, much of what was reported as progress on implementation consisted of measures that *will* be implemented *soon*.
- Four priorities were identified:
 - Defeating Covid-19
 - Accelerating economic recovery
 - Implementing economic reforms to accelerate growth and job creation.
 - Fighting corruption and strengthening the state.
- The President repeated recent announcements on the **vaccination programme**, noting that health care and other frontline workers will be inoculated with Johnson & Johnson's vaccine, which is more effective against the 501Y.V2 variant, now the dominant strain of the coronavirus in South Africa. The government has secured 9 million doses of the vaccine, with the first 80 000 doses due to arrive next week and a further 500 000 expected over the next four weeks. On top of this, the state secured 20 million doses from Pfizer, due by the end of March. To these specifics, the President added the 12 million doses of unspecified vaccines from the global COVAX facility and an unspecified amount of 'other vaccines' available from the AU's African Vaccine Acquisition Task Team facility. The government is engaging with all manufacturers to secure enough vaccines to achieve population immunity. The Special Covid-19 Grant of R350 has been extended by a further three months and the Covid-19 TERS benefit until 15 March 2021 only for those sectors that have not been able to operate freely.
- Much of the SONA was devoted to updating the public on the implementation of the **Economic Reconstruction and Recovery Plan**, which relies on infrastructure investment, the expansion of electricity generating capacity, industrialisation through import-substitution, structural reforms and support for labour-intensive industries to revive the economy. The President gave a highly detailed, and mostly glowing, review of government's efforts. The key points were that:
 - A 'massive' **infrastructure** drive was underway, with government identifying a pipeline of projects in energy, water, transport and telecommunication worth R340 billion for implementation. The projects currently underway include two housing projects, the second phase of the Mokolo and Crocodile River projects as well as the uMkhomazi Water Project. Road projects of R19 billion were identified, with the state committing resources for the rehabilitation of the N1, N2 and N3 highways. The President said that Infrastructure Fund was in 'full operation', noting two projects approved for financing - a student housing scheme and the rollout of broadband at all state facilities.
 - There has been progress in resolving the **energy crisis**. The division of Eskom into three separate entities (generation, transmission and distribution) was completed and the intensive maintenance programme is underway. Government is working with Eskom on measures to manage its debt burden and reduce its reliance on public funds. There will be a review of electricity tariffs to ensure that it covers 'all reasonable costs'. Government will also tackle the arrears of municipalities, but no specifics were given on exactly how this will be done. The President gave feedback on the initiatives announced in 2020 to develop generating capacity outside of Eskom.
 - The Department of Mineral Resources and Energy will announce the successful bids for 2 000 megawatts of emergency power soon.
 - Regulations were amended to allow municipalities to buy power from independent producers.

- Recent analysis suggests that easing the licensing requirements for new embedded generation projects could unlock up to 5 000 megawatts of additional capacity. To enable this Schedule 2 of the Electricity Regulation Act will be amended within the next three months to increase the licensing threshold for embedded generation. This process will be completed by the end of March 2022.
- Progress towards **industrialisation** include a 'renewed' commitment from government, business and organised labour to 'buy local', which government believes will increase local production and revive the manufacturing industry. The aim is to reduce the country's reliance on imports by 20% over the next five years, which is projected to increase annual output by R200 billion. Other measures include 'sector master plans', support for small businesses and interventions to reduce the costs of doing business. The President mentioned that some of the master plans have already yielded tangible results by enabling increased poultry and sugar production. Details of new investments in the automotive industry were also provided, while investment pledges from the South Africa Investment Conferences of the past three years totalled R773 billion. Of these pledges, R183 billion has materialised. The initiatives to support small businesses consist mainly of prioritising SMMEs in state procurement and encouraging large firms, from brewers to vehicle manufacturers, to do the same. There was not much progress on lowering the cost of doing business, other than removing the red tape attached to registering a new company by establishing a digital platform. On land reform, 5 million hectares were redistributed to more than 300 000 beneficiaries to date and over 2 million land claims resulted in the transfer of around 2.7 million hectares to date. In 2022 government will establish a Land and Agrarian Reform Agency to fast-track land reform. It is unclear why this cannot be done by the relevant department. The government will also implement programmes to assist smallholders and emerging farmers with market access and skills development to increase the number of commercial black farmers.
- The **Presidential Employment Stimulus** created over 430 000 'opportunities' by the end of January 2021 and a further 180 000 opportunities are currently in the recruitment process. On the upside, the President stressed that the private sector will create the bulk of new jobs, while government will focus on creating an enabling and supportive policy environment. On this front, work is underway to reform the visa and immigration regime to grow the labour-intensive tourism sector and attract skills to the country. This was a key priority in the previous SONAs, which has not been completed or implemented. The President promised that the eVisas system will be rolled out once international travel returns.
- On developing **an efficient and accountable public service**, overarching legislation for state-owned enterprises (SOEs) will be tabled in parliament in 2022, a 'centralised SOE model' will be implemented this year to ensure standardised governance, financial management and operational performance framework for all SOEs, the National School of Government will continue to train civil servants and the Ministerial Performance Agreement with all Ministers will be published online.

In summary, this year's SONA was a mixed bag. Ironically, the President's progress report served to illustrate how slow government is in implementing urgent reforms around energy generation, SOE reforms, spectrum licensing and visa regulations. On the bright side, under President Ramaphosa's leadership government has actively engaged the private sector and organised labour in the design of policy. This spirit of openness and cooperation is positive, which will hopefully move the country towards better social and economic outcomes in the years ahead.

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