

# SONA 2024

ECONOMICS | SOUTH AFRICA



## President Ramaphosa focused on the government's achievements ahead of the elections.

*"We are on track to resolve the most important constraints on economic growth by stabilising our energy supply and fixing our logistics system. As these obstacles are removed, the true potential of our economy is unleashed."*

*President Ramaphosa*

The upcoming general election loomed large over this year's State of the Nation Address (SONA). President Ramaphosa started his speech by reminding citizens of how the ANC government has improved the lives of ordinary South Africans over the past 30 years since the dawn of democracy. Moving to the past five years, the President stayed firmly focused on what the government has done to address the country's most pressing challenges. The President listed the plans, policies, and actions taken to deal with crime and corruption, the electricity shortage, the crumbling rail and port networks, unreliable water supply, and persistent skills shortages. The President announced no new initiatives, nor provided any new information, but rather reassured the public that the government's plans and policies would yield results. Ultimately, it was an election speech, with a focus on government's achievements.

The President repeated some of the initiatives undertaken on the following issues:

- State capture, corruption, and crime
- The electricity crisis
- Climate change mitigation and the just transition
- Rail and port networks
- Bulk water and road infrastructure
- Immigration reforms
- Education, social welfare, and health care

On state capture, corruption, and crime:

- The President believes progress has been made to restore the credibility of key institutions damaged by state capture. He singled out the South African Revenue Service (SARS) as an example of a 'restored and revitalised' institution, whose performance has improved. He also believes that 'capable people with integrity' have been appointed to head law enforcement agencies, government departments, security services, and state companies.
- The Investigating Directorate was established within the National Prosecuting Authority (NPA) to tackle corruption. Progress has been made in holding those responsible for state capture accountable, with more than 200 prosecutions and the granting of R14 billion worth of freezing orders by the NPA's Asset Forfeiture Unit, of which R8.6 billion in corrupt proceeds have been recovered. At the same time, SARS collected R4.8 billion in unpaid taxes following evidence presented to the State Capture Commission, while the Special Investigating Unit started civil litigation to the value of R64 billion.
- New legislation has been introduced to strengthen the government's ability to prevent money laundering and fraud, which should help to remove South Africa from the 'grey list' of the Financial Action Task Force.
- Government and business set up a 'digital forensic capability' to support the NPA Investigating Directorate, which it aims to roll out to other law enforcement agencies.

On the electricity crisis:

- Government enabled substantial new electricity generation through private investment. Under the renewable energy programme, more than 2500 MW of solar and wind power have been connected to the grid over the past five years and apparently another 7500 MW (three times the 2500 MW) is in procurement or under construction.
- Regulatory reforms were implemented to enable private investment in electricity generation, with more than 120 new private energy projects under development.
- The amount of rooftop solar capacity installed across the country doubled over the past year, driven by the government's tax incentives and financial support.
- Eskom was given a major debt relief package, which the President believes will enable the beleaguered utility to make investments in maintenance and transmission infrastructure.

- The government tabled the Electricity Regulation Amendment Bill to support the restructuring of Eskom and establish a competitive electricity market.
- Next steps include the expansion of the grid. The government plans to install more than 14 000 km of new transmission lines to accommodate renewable energy in the years ahead.

The President concludes that *'through all of these actions, we are confident that the worst is behind us, and the end of load shedding is finally within reach'*.

On climate change mitigation and the just transition:

- The President again committed to implementing the just energy transition to reduce carbon emissions, mitigate climate change, and create growth and jobs for South Africans. He stressed that the transition will be undertaken at 'a pace, scale and cost' that the country can afford without compromising energy security.
- A Special Economic Zone will be set up in the Boegoebaai port to drive investment in green hydrogen energy projects.
- Government will support electric vehicle manufacturing in South Africa.
- Mpumalanga will be prioritised, with incentives drafted to enable the creation of new industries, new economic opportunities, and sustainable jobs in the province.
- Financing pledges to South Africa's Just Energy Transition Investment Plan have increased from around R17 billion to almost R240 billion over the past year.
- A Climate Change Response Fund will be established to deal with the effects of global warming, manifesting through persistent floods, fires, and droughts.

On rail and port infrastructure:

- The aim remains to stabilise Transnet's performance and reform the logistics system.
- Government, business, and labour are working together to turn around five strategic corridors that transport goods for export purposes.
- The congestion at Durban port has been reduced. The number of ships waiting to berth declined to 12 by the end of January from more than 60 around mid-November.
- Transnet has appointed an international operator to improve its largest terminal at the Port of Durban.
- The freight rail system will be reformed to allow private rail operators to access the rail network.
- Contrary to recent media reports, the President claims that South Africa is well positioned to offer bunkering services for ships rerouted due to the conflict in the Middle East.

On water and road infrastructure:

- The President reported that several bulk water projects and two Eastern Cape bridges are either in progress or completed.
- SANRAL awarded more than 1200 projects to the value of R120 billion over the past five years.
- Cabinet approved a framework for high-speed rail, focusing initially on the Johannesburg to Durban corridor.

### Conclusions:

The upbeat can-do tone of the SONA was formulated with the election in mind. The speech was a review of work done by President Ramaphosa's administration over the past five years. In our view, the government enacted significant and constructive reforms in the energy sector and the progress is a testament to the private sector's ability to deliver on time and budget within a supportive legislative environment. We would not go as far as to call an end to the energy crisis, but the country certainly set in motion and accelerated the investments needed to ultimately resolve the shortage. Elsewhere progress has been slow and patchy, with little evidence of significant and sustained gains in addressing crime and corruption, transport bottlenecks, and other bulk infrastructure constraints.

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