

Many words, little new

10 February 2017

Ignoring the shenanigans that delayed the State of the Nation speech for more than an hour and focusing on the content of the speech itself, it can be summarised in one phrase: a damp squib.

We were told beforehand that the President would announce a programme of “radical economic transformation”, particularly on land. What he did present was largely a repeat of previously announced programmes.

The history of “Radical economic transformation”

The phrase “radical economic transformation” first appeared in the ANC’s in the 2014 election manifesto in a very subdued way. There was only a single sentence: “The developmental mandate of state-owned enterprises, development finance institutions (DFIs) and other public agencies will be re-aligned to support *radical economic transformation*.” (my emphasis). That was it.

The phrase hardly figured in the election campaign, but then popped up strongly in Pres Zuma’s second inaugural address after the elections. We stated at the time that the phrase was more political rhetoric than a radical programme; and its use had more to do with the rise of the EFF in the 2014 elections than a real shift in policy.

The term also featured strongly in the medium term strategic framework (MTSF) Government adopted after the elections. The MTSF is the 5-year chunk of the National Development Plan directing government’s actions for the 2014 – 2019 term. The phrase then again faded from public use, but re-surfaced last year, used by Mr Zuma and his allies, like the ANC Youth League. It is noticeable that they used the term feverishly as his political fortunes waned and the state capture allegations grew. This year Mr Zuma pushed the issue very hard at the ANC’s first NEC meeting of the year. Last night more than half of his State of the Nation speech was devoted to this theme.

What is the content back then and what is it now?

The 2014 Medium Term Strategic Framework states that “radical economic transformation is about placing the economy on a qualitatively different path that ensures more rapid, sustainable growth, higher investment, increased employment, reduced inequality and deracialisation of the economy.” (pg 6, main document). In one of the appendices there is a throw-away sentence that really says it all: “Radical change must bring real benefits to working people and the poor across SA.” (Appendix 4, pg 3).

Last night Mr Zuma shifted the definition and defined radical economic transformation as “fundamental changein the ownership, management and control of the economy in favour of all South Africans”. This is a great ideal, but how?

The how

The State will use its legislative and licensing powers, its procurement spend of R500 bil a year and its R900 bil infrastructure spend to benefit small Black business, rural and township enterprises, previously disadvantaged groups and local industrial development. A compulsory 30% set aside for small contractors by big contractors was already promulgated in January. The Competition Commission will continue to fight

collusion and cartels to open up space for new entrants. The Competition Act will be amended; a Bill to create a more inclusive property sector will be tabled as housing created through the government subsidy (RDP houses) constitute R1.6 trillion of a R7 trillion property sector; the delays in registering and issuing title deeds for RDP houses will be addressed; Black participation in SMMEs and the ICT sector will be supported; and there was a specific promise to lower the cost of data.

There is nothing new in these measures; in fact they have mostly been previously announced. A radical programme it is not. The lack of radical or new proposals is also evident in what he had to say on land.

Land reform

The president confirmed, like the ANC did over the weekend, that land reform will be conducted in line with the Constitution. This is an important qualification.

The property clause in the Constitution defends property rights; but it also requires land restitution and land reform; and allows for expropriation at a just and equitable price. What is “just and equitable”? It is the price the state and the land owner must agree in negotiation, and if they cannot, the High Court must decide. The property clause lists five factors to be considered by the Courts, one of which is the market value of land. Several court cases have been heard over the years on “just and equitable” and a body of jurisprudence has been built up. The rules are becoming clearer, creating more certainty.

There is a misconception that the Constitution requires “willing buyer, willing seller” when government expropriates land, but that is not correct. “Willing buyer, willing seller” was a government policy, not a constitutional requirement; and government abandoned it at the Land Summit of July 2005 already – nearly 12 years ago. In 2007 the country’s first expropriation for land reform took place when government took possession of a farm in the Northern Cape, which belonged to the Evangelical Lutheran Church of South Africa, at half the Church’s asking price. (A Lutheran bishop told me that they were quite prepared to accept the Government’s price but blamed some maladministration for the fact that it ended in expropriation).

Last night the president repeated the old news that he has referred the Expropriation Bill back to Parliament on the grounds that it may not pass constitutional muster due to insufficient consultation. He repeated that government is committed to support emerging Black farmers and this year will help 450 of them to become commercially viable. R2.5 billion has been spent to counter the effects of the drought with spending on livestock feed, water infrastructure, drilling and equipping of boreholes and the like.

So what?

- One cannot escape the suspicion that the term “radical economic transformation” has more to do with political rhetoric than radical policy. It was first used in response to the rise of the EFF and more recently in response to the waning of Mr Zuma’s own political fortunes.
- The policy prescriptions are modest to say the least, and there is very little new.
- While there is a renewed emphasis on Black ownership and participation in the economy, it doesn’t take it much further than the numerous existing BEE codes, equity legislation etcetera.
- There is certainly no Venezuela- or Zimbabwe-type approach here, nor a Thatcher-like one (maybe title deeds for housing beneficiaries, but that is an old policy and the president’s pledge referred to clearing administrative delays in issuing them).
- All in all, compared to the hype beforehand, it was much ado about nothing. This programme is unlikely to strengthen the president’s hand.