

No damage, no lift off

Pres Zuma presented his 5th State of the nation speech to Parliament. It was largely a review of progress on the 5 key government priorities: creating decent work, education, health, rural development and land reform as well as crime and corruption. We give a brief summary of the most important points and discuss some context.

Infrastructure

This issue is the most important measure Government has taken to create jobs and fits in under that theme. If this fails, much will fail; if it succeeds it will help to change the country.

For the four years to the end of this financial year next month a total of R860 billion will have been spent on infrastructure. That works out to 8% of GDP over the period. It compares to the 8% budgeted for the current budget cycle for infrastructure and the 10% envisaged by the NDP.

Some commentators want to dismiss these numbers as the work does not tend to appear on the order books of listed companies. The Budget on 27 February should contain some detail on this spending and one can then come to more informed conclusions.

The president was quite open: "The infrastructure development programme has been a valuable source of learning for government. The lessons are that we must coordinate, integrate and focus on implementation." Nothing like doing in order to learn.

That holds the promise that performance will improve: "In the year ahead, we will fast-track many of the projects that (government) has announced."

Education

The president, regrettably, stayed away from the school book saga and did not talk about measures to improve that issue.

He did note the progress in education as measured by the Annual National Assessments system; said more must be done to improve maths, science and technology; announced that the Department of Basic Education will establish a national task team to strengthen the implementation of the Mathematics, Science and Technology Strategy; and called on the private sector to partner government through establishing, adopting or sponsoring maths and science academies or Saturday schools.

He noted that 2.2 million adults have benefited from the adult basic education programme between 2008 and 2011.

He took clear aim at teacher productivity and school performance with the announcement of a "Presidential Remuneration Commission which will investigate the appropriateness of the remuneration and conditions of service provided by the State to all its employees", but whose first priority will be teachers. However, "The Commission will also assess the return on investment". Given that our teachers are already amongst the highest paid in the developing world, It is clear where this is going – education outputs.

He then moved to a higher philosophical stance: “All successful societies have one thing in common – they invested in education. It means we want the education sector and society as a whole to take education more seriously than is happening currently.” (It is quite an accusation he is making here and certainly most welcome.) “In elevating education to its rightful place, we want to see an improvement in the quality of learning and teaching and the management of schools. We want to see an improvement in attitudes, posture and outcomes.” (A clear statement of intent, now for the follow-through.)

Health

The president delighted in the fact that SA’s life expectancy has improved from 56 years to 60 years. Infant and under-five mortality also decreased substantially.

In preparation for the NHI, 600 private sector doctors will be contracted from April this year to provide medical services at 533 clinics in the ten districts where the NHI is being piloted.

Land Reform

The president announced, for the umpteenth time, that the “willing buyer, willing seller” principle will be replaced with “just and equitable compensation”. The latter is as stipulated in sec 25 of the Constitution (the property clause). A number of misunderstandings have built up around this.

I say announced for the “umpteenth time” because “willing buyer, willing seller” was first abandoned during the time of the Mbeki administration in 2006 at the Land Summit held that year.

In 2007 the first expropriation took place. A farm in the Northern Cape which belonged to the Lutheran Church was expropriated for R35.5 million after the Church reportedly wanted R70 million. The Church did not challenge the expropriation, but took the money.

Since then various ANC Conferences have pronounced that “willing buyer, willing seller” should be abandoned, most recently the Policy Conference in July last year and of course Mangaung in December. Both Conferences resolved that land reform should take place within the ambit of sec 25 of the Constitution, which says that expropriation is possible and legal but with “just and equitable” compensation. Parties to expropriation must agree on the compensation and where they cannot, the High Court must decide (sec 25(2)).

“Willing buyer, willing seller” is a policy. “Just and equitable” is a constitutional prescription. The two are most distinctly not the same. The one does not allow for expropriation in public interest, the other does; the one says there is only one price and that is what the seller wants, the other says there is a just and equitable price, which may or may not be what the seller wants.

Currently sec 25 also provides that land claims cannot be made for land lost before 1913. The president confirmed it will be amended to allow claims by the descendants of the Khoi and San as well as in respect of heritage sites and historical landmarks. Land claims will also be entertained from claimants who missed the cut-off point of 31 December 1998.

In what may be a welcome new direction the president also said that “We ... (must) provide better incentives for commercial farmers that are willing and capable of mentoring smallholder farmers.” This is the way forward to reconcile land reform with land productivity and food security and must be welcomed.

Crime and corruption

The president focused his crime comments on the violence against women and children (mentioning Anene Booysen by name; and ironically the shooting of model Reeva Steenkamp took place the day he delivered his address). He had instructed law enforcement agencies to treat such cases with the utmost urgency; and noted that the re-established Family Violence, Child Protection and Sexual Offences Units secured over the last year 363 life sentences, with a conviction rate of 73% for crimes against women above 18 years old and 70% for crimes against children under 18 years of age.

He made some strong comments about violence at Marikana, stating that that is against the Constitution. This item was widely reported in the media and I will not elaborate here.

On corruption he noted that the capacity of the Special Investigating Unit has grown from an initial 70 staff members to more than 600 at present; since 2009 he has signed 34 proclamations directing the SIU to investigate allegations of corruption; criminal investigations were initiated against 203 accused persons in 67 priority cases and pre-trial proceedings have been initiated against 191 persons. Freezing Orders were obtained against 46 persons and 107 officials working within the criminal justice system were convicted. The Asset Forfeiture Unit seized assets valued at more than R541 million of which R61 million have already been forfeited to the State.

The assets are channelled back to fighting crime and corruption through the Criminal Asset Recovery Account. Last year, additional funding of R150 million from the Criminal Assets Recovery Account was approved for the work of the Anti-Corruption Task Team.

He urged the private sector to also take this fight against corruption seriously “so that we tackle it from all angles”. He undertook to fill all vacant posts at the upper echelons of the criminal justice system.

Future taxation

The president announced that the “Minister of Finance will be commissioning a study of our current tax policies, to make sure that we have an appropriate revenue base to support public spending.” Mining taxation will be covered by this study, so that issue has been neatly kicked out of the political arena to technical experts. That is to be welcomed.

The general interpretation of this announcement is that it is curtain raiser to future tax rises. I think it is more complicated than that. In the 2012 budget already the Treasury announced an investigation into a sustainable fiscal framework. Work would already have started on this. That emphasis on a sustainable fiscal framework is a bit different from just a cover to increase taxes.

What was not said

Everybody wants to pile in under this item and volunteer what the president *should* have said. Using a more sober approach, one can compare his speech to the National Development Plan. Obvious issues he did not talk about included:

- building a more effective civil service;
- establishing an accountability chain in education (although the Remuneration Commission could be an important step in that direction);

- steps to increase public investment to 10% of GDP (although that can be covered by the fiscal sustainability study referred to above);
- steps to boost private investment (in fairness, that is more a budget speech item);
- establishing a social compact (although he did refer to on-going discussions with the private sector and civil society);
- steps to improve environmental sustainability; and lastly
- action on spatial norms and standards (although it is the first time that urbanisation and the need to manage it has been raised in a State of the Nation speech – merely as a statement, though, not concrete steps).

So What?

- As the above summary shows, there is steady action over a wide range of areas. This contradicts the “failed state” scenario that some punt so vigorously.
- As far as content goes there was no damage done by the speech, but there was also no lift-off to take SA onto a different trajectory.
- It was a missed opportunity, especially as far as detail on the implementation of the National Development Plan (NDP) is concerned.
- The country remains firmly embedded in the 3% “muddle through” scenario and have not taken steps towards a 5% scenario.