

State of the Nation 2016

Herewith a brief summary of the 2016 State of the Nation speech by Pres Zuma in the order the issues were raised in the speech.

Commemorations

The president started off by mentioning various important incidents over the last 50 years.

Economic growth

He then turned to growth pointed to the difficulties the economy face; briefly mentioned some of the international as well as local causes of that; specifically mentioned the risk of a downgrade; and then outlined some measures to deal with the problems.

This include a one-stop-shop to invest in SA and an initiative by the Banking sector to position the SA financial services sector as the hub for Africa (incidentally also an item of the Nat Dev Plan).

He spent time on the need for State Owned Enterprises to be “properly governed and managed”. All SOEs that are “no longer relevant to the development agenda will be phased out.” Then this throwaway line: “These interventions are essential for growth and also for the reduction of debt levels.” Debt levels can only be reduced if cash is raised from these SOEs – did the president signal that assets could be sold off to reduce debt? Dep-pres Ramaphosa is responsible for these issues, and we will watch his progress.

The constraints on visas for skilled personnel got a mention and a draft policy to make access of skilled individuals easier will be considered by cabinet. Parliament was asked to expedite processing the Minerals Bill which the President sent back to Parliament earlier. Big corporations were urged to team up with the envisaged new Black industrialists to “broaden the ownership and control of the economy.”

Cutting expenditure

The president clearly signalled that the high-spending days are over but he then gave a disappointing list of examples of where cost will be cut. At least it will give political cover to Treasury when they do cost cutting.

In this context he mentioned that Parliament should reconsider the current practice of having two capital cities – “Pretoria” (he did not say Tswane?) and Cape Town. This was mentioned in Pres Mbeki’s time already and did not go anywhere. Let’s see what happens this time round.

Feedback on the nine point plan of 2015

He announced the nine points in his 2015 State of the Nation and now gave feedback on implementation.

Electricity (no 5 of the nine points) – there has been no load shedding since August last year; investment by private power producers attracted billions in renewables; in 2016 government will select the bids for private coal power driven producers; proposals will be invited for gas-to-power bids; 9600 MW of nuclear power will be introduced over the next ten years but at “a scale and pace the country can afford”.

Industrial policy (no 3 of the nine points) – he listed a number of foreign companies who either invested here or expanded their operations and said it was evidence of the various incentive programs working.

Revitalise agriculture (no 1 of the nine points) – Five Agri-parks were established to boost small-farmer activity. These are “Westrand in Gauteng, Springbokpan in North West, Witzenberg in the Western Cape, Ncora in Eastern Cape and Enkangala in Mpumalanga.” In a touching moment he introduced in person to the House the winner of the Female Farmer of the Year – a former security guard who made it. This celebration of entrepreneurship and pull-up-by-your-own-bootstraps must be welcomed.

In this part of the speech he also spoke about the drought; lauded the civil society initiative Operation Hydrate and elaborated on measures to increase **water** supply, including training 15 000 artisans. (Part of no 9 of the nine point plan).

Land reform (part of no 1) – “27 proposals have been received from commercial farmers” to implement the 50/50 arrangement he mentioned last year. Four schemes are underway in the Free State and Eastern Cape. A bill to restrict farm sizes to “12 000 hectares” and prohibit foreign nationals from owning (agricultural) land will be tabled this year. 120 000 new claims were lodged after land claims were re-opened for those who missed the 1998 deadline.

Labour relations (no 6 of the nine points) – he referred to the tentative agreement at NEDLAC on a national minimum wage but cautioned that it should not undermine “employment creation, small business and growth”. Prepare for a low national minimum. (We saw how the wind blows when the new agriculture minimum was gazetted last week: it increased 6.6% on a low base – from R2606.78 to R2 778.83 – hardly a destructive minimum.) Discussions are underway with Cosatu to seek a solution to Cosatu’s unhappiness with the recent changes to pension laws.

Oceans economy (no 8 of the nine) – R7 billion has been committed for new port facilities; a new fuel storage facility in Cape Town (R660 million); nine aquaculture farms established in the four ocean facing provinces; new ships registered under SA’s flag (this must be a first since the establishment of Safmarine in the 1960s, which was privatised in the 1980s and sold to the Danish after 1994).

Innovation (part of no 9 of the nine points) – the Sovereign Innovation fund will be finalised (a joint public-private-sector project to commercialise innovative ideas); broadband roll out will continue with 5 000 government sites in 8 district municipalities to be connected over three years.

So far the feedback on the nine point plan.

Social sector

In this potpourri the president referred to the Commission of Inquiry he appointed into higher education and urged involvement; the improvement of life expectancy (8.5 years since 2005 now standing at 62 for both males and females); the success of HIV/Aids programmes (amazing how quiet this issues has become compared to a few years ago); and the new state owned pharmaceutical company will start producing anti-retroviral drugs in 2016/17.

Local govt elections

These must be held within 5 years and 3 months of the last elections. Those were on 18 May 2011, so the elections must then be held by 18 August this year. (Expect a date somewhere in August – one does not do an election during the SA winter.)

SA Police Service

SAPS have adopted a “Back to Basics” programme to improve performance and turn around poor performing police stations. He noted the 57 police officers killed so far in 2015/16 and condemned it.

Foreign policy

He reaffirmed SA’s commitment to being involved in Africa; referred to the \$50 billion China is investing in Africa of which \$10 billion will be in SA; lauded the EU as SA’s biggest trading partner and foreign investor (more than 2000 EU companies employ 350 000 people in SA); affirmed that AGOA provides a platform for expansion and that “all outstanding issues (on AGOA) are being attended to”.

So What?

- The economy and related issues clearly constituted the bulk of the speech.
- Nothing dramatic was announced, but neither was there any populism.
- Readers can judge for themselves from the above summary, but even on the issues of more equity (land reform, minimum wages) the comments were mild.
- The attention will now shift to the budget for details of cost cutting; and to Deputy-president Ramaphosa’s actions re state owned enterprises. At least both he and the finance minister got political backing for what they have to do.