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State of the Nation Address 2023 Analysis

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What were your expectations ahead of SONA and key areas of interest you expected the president to touch on? And were your expectations met?

I expected President Cyril Ramaphosa to use the State of the Nation Address (SONA) to reflect on the current state of South Africa's economy and society and to outline his administration's priorities for the next 12 months. Ramaphosa is a 'listening' President who consults widely with experts, political leaders and social partners in business, government and labour.

It was evident from his address that he is acutely well-informed about the problems facing South Africa, including low growth, high unemployment, loadshedding and rising rates of crime. The main challenge that he is facing – which I believe, given weak state capacity, would be the same problem for anyone in his shoes – is one of implementation. He must find a way to implement governments policies – to move them from paper into practice, so as to turn the situation around and begin a sustained period of inclusive economic growth for the country. It is only through such growth that we will be able to create more employment and mobilise the resources need to rebuild infrastructure and improve service delivery.

What were the key highlights that stood out for you, particularly on issues of the economy?

In the SONA, President Ramaphosa spent a lot of time talking about the implementation of government's Energy Action Plan to overcome the crippling problem of loadshedding. Increased investment in electricity generation capacity – by public and private actors – as well the restructuring and improved performance of Eskom are the most important economic tasks facing South Africa at the moment.

The Energy Action Plan is a comprehensive strategy which includes short- and medium-term elements, such as: fixing Eskom's coal-fired power stations and improving the availability of existing supply; enabling accelerated private investment in generation capacity; accelerating procurement of new capacity from renewables, gas and battery storage; incentivizing businesses and households to invest in rooftop solar; and fundamentally transforming the electricity sector to achieve long-term energy security.

It was significant that the President emphasized the need for bottom-up solutions, such as incentivizing and financially supporting the purchase of solar equipment for households and firms, as this will help to mitigate the impact of loadshedding and also has the potential, in the months ahead, to reduce the stages of loadshedding that South Africa is experiencing.

In last year's SONA, Ramaphosa committed to a social compact to accelerate inclusive economic growth and create jobs. In your opinion, how far do you think the Ramaphosa administration has come in actualising these commitments?

In response to the Covid-19 pandemic, business, labour, government and community representatives worked closely together in responding to the crisis. There was unity of purpose in rolling-out access to Covid vaccines, monies were mobilised from the Unemployment Insurance Fund to assist firms to pay salaries and to continue as going concerns during the Covid lockdowns, new systems of income support were put in place for the unemployed, tax relief measures were put in place, and public employment was expanded with, for example, hundreds of thousands of young people being brought in to work as teaching assistants in our schools.

President Ramaphosa has made it clear that, through ongoing social compacting, he would like to see the continuation of such common purpose and united actions in how the country responds to low growth, low investment, high employment and loadshedding. Despite his stated intention in this regard, not much progress had been made in social compacting around a common economic vision for South Africa.

Perhaps the best way to proceed, would be rather than trying to unite social partners around a grand, all-encompassing social compact, the country should aim at fostering a series of focused agreements on specific matters. For example, there may be potential for a social compact on how best to take forward the country's Just Energy Transition, particularly in Mpumalanga where communities that will be negatively affected by the shift to lower carbon energy systems need to be given pathways to new forms of economic activity, such as in renewable energy projects and in new industries like green hydrogen. We could also look to uniting social partners around other issues, such as improved performance of local government, improved education outcomes, and improved safety and security and protection of our economic infrastructure.

Do you think SA is still a good investment destination?

South Africa has a number of positive fundamentals – a democratic system of government, a free media, independent courts, a well-managed financial system, and strong mining, agriculture, industrial and services sectors. On the negative side, the country has been trapped in a low-investment, low-growth phase for over a decade, and unemployment, poverty and inequality are rising for the first time since the dawn of democracy in 1994. The country's infrastructure is not being well looked after and is falling into decay.

We need to build on our country's strengths if we are to create a new inclusive growth model for South Africa. At the heart of this must be our plans to restore energy security. Energy security will make investing in South Africa a more attractive proposition. Decades of investment in new electricity generation, transmission and distribution systems will also enable us to unlock new upstream and downstream industrial activity and create many more jobs. Upstream activities will include the mining of minerals, and the making of steel and cement for building new electricity infrastructure. There is also potential for South Africa to manufacture parts for solar, wind and battery systems. Downstream, access to low carbon electricity is essential for South African industry to maintain its international competitiveness. There is also potential for new downstream products and industries to be built including electric vehicle manufacture, on the back of South Africa's current integration into global automotive supply chains, and the production and export of new products like green hydrogen.

What are your expectations for the 2024 general election?

2023 is a critical year for South Africa. It is vitally important that there be clear signs that the country's Energy Action Plan is bearing fruit and that there is an end in sight to loadshedding. This will help to reignite investor confidence in the country and will begin to fire up the engines of economic growth and job creation. In such circumstances, the 2024 election will likely be a highly contested affair as usual, but will be likely to produce a workable outcome.

If on the other hand, political divisions and administrative inertia mean a perpetuation, or worsening, of loadshedding in the year ahead, then the country will fall deeper into crisis – with ever rising levels of poverty, unemployment and despair. There is also a risk that the country's new electoral laws, mandated by the courts to include independent candidates, if not well conceived and implemented, will lead to new sources of political instability.

If the 2024 elections take place in such circumstances, where the loadshedding crisis is continuing and where questions are raised as to the legitimacy of electoral outcomes, then our people, our political leaders and our democratic institutions will face a stern test. Our relatively young, post-apartheid constitutional dispensation will come under intense pressure, and will likely face the dangers associated with the kinds of increased populism and fractiousness that have emerged in recent years in many other parts of the world.

If, in the 2024 election, no party achieves an outright majority at the national level, then it is in the nature of our proportional representation electoral system, that parties will need to work together to form and run the government. To do so effectively, our political parties – particularly our larger, more-established parties – will have to show new levels of maturity, as they will have to learn to work together and govern together for the greater good, in the interests of the people of South Africa. If our political parties are not able to rise to the occasion and are not able to put the country first, then there is a risk that more and more people will lose faith in politicians and that state capacity and service delivery will continue to deteriorate, which in turn will have a negative impact on the country's economic performance.