

Press Release

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South African Institute of Race Relations

The power of ideas

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The State of the Nation Address: not much to see here - IRR

The State of the Nation Address (SONA) signalled that South Africa could look forward to more of the same.

Although offering in parts an uplifting and optimistic view on the future trajectory of the country, and while some will be enthused by the re-emergence of the National Development Plan, the SONA offered very little that suggested that innovative thinking or substantial policy reforms were on the way.

President Ramaphosa's call for a 'relentless focus on economic growth' was certainly welcome, as was the recognition of the need to 'unleash private investment' and to address the costs of doing business.

But these are hardly new sentiments. Their credibility was undermined by a failure to address forthrightly the self-imposed barriers to investment and economic growth. Foremost here is the question of property rights, and the determination of the ruling party to introduce a regime of expropriation without compensation (EWC).

The President's failure to even mention EWC – a policy he has endorsed in the past – leaves investors hoping for 'certainty' with no greater clarity. The policy is on its way, but its

terms remain opaque. In other words, just enough certainty to deter investment, not enough to plan around it.

Investors will likely continue to 'wait and see'.

Similarly, aside from restating the constitutional position on the independence of the South African Reserve Bank, little was said of its future. The controversy around its nationalisation and the adoption of quantitative easing was left unaddressed, unless the audience was meant to infer something hidden between the lines. This was quite remarkable given the concern it evoked.

Faith in the state, meanwhile, remains high. There will be various plans and strategies to propel growth and development. Apparently departing from his prepared remarks, President Ramaphosa commented that the state should take on an 'entrepreneurial role'.

It's doubtful that the state has the competence to do this effectively. Although the President referred to the need for a 'capable and developmental state' – a venerable staple of government thinking for years – it is by no means clear that there is an appetite for the action needed to bring this into being. Comprehensive depoliticisation, and a commitment to professionalism and impartiality in the civil service would be necessary. This would be to overturn a central element of the ruling party's governance philosophy.

In the absence of a reform agenda, the prospects of elevated growth remain slim.

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