

## **Business Unity SA (BUSA) Media Release on State of the Nation Address (SONA)**

14 February 2020

BUSA released our expectations of the SONA in the days before the address. Our comment on the SONA are guided by our recommendations and we assess the President's address under each of our recommendations. Our recommendations were:

- Urgent pronouncements on far reaching economic structural reforms, with the key aim of unleashing economic growth and attracting investments. These reforms must also ensure an inclusive economy and expedite legislation to enable this. **The President started his address by saying this SONA is about inclusive growth. So, this acknowledgement of the centrality of growth is a positive. However, there were no specific pronouncements on the reforms necessary. We would also have expected him to refer to the global economic backdrop, which is a very difficult one.**
- A clear statement that public expenditure will be tempered in the Budget to be presented on 26<sup>th</sup> February 2020. This is in the context of addressing the fiscal crisis we are in. Other measures to address this must also be announced, including control of expenditure, tightening up procurement processes, reducing wasteful and irregular expenditure, etc. **The President acknowledged the fiscal crisis and indicated the Minister of Finance will announce initiatives to reduce public expenditure in the Budget and engagements are being held with labour. He also referred to reducing irregular expenditure. We will see what is announced in the Budget.**
- A clear position on a strategy to address the SOE crisis. This must include decisions on which SOE's are of strategic

importance, role of the private sector, poor governance and management and a lack of qualified people. The statement must also assure the public there will be no political interference in the operations and governance of SOE's. **The President did not address this decisively. He talked about rationalizing SOE's and ensuring they contribute to growth. He did not address governance, capacity, possible closure of non-strategic SOE's and political interference.**

- A clear position on ESKOM. This must include the appointment of a capable and independent board, to be put in place urgently! The board and CEO must be tasked with addressing the governance, management, staffing and other operational crises at ESKOM, positioning ESKOM to be A player in a more diversified energy supply industry, as well as looking at options to address the funding crisis. **The President spent a lot of time on ESKOM and its positioning. He was honest about load shedding and referred to implementing recommendations of his advisory group. But, no mention of the board and Chair.**
- An announcement that the Minister of Minerals and Energy will urgently put into place regulations to enable private sector energy generation at scale, so that the grid can be relieved to an extent. Such regulations must include making the Ministerial New Generation Determinations necessary, in concurrence with NERSA, to initiate renewables and gas procurement as required by IRP19. This will enable Round 5 of the REIPPP to be implemented immediately. Schedule 2 of the Electricity Regulation Act must also be amended immediately to lift license exemption from 1MW to 10MW. **The President assured the nation that the necessary regulations and Ministerial determinations will be proclaimed soon to enable self-generation at scale and enable the next tranche of renewables. We would have wanted him to put clear timeframes to this, but welcome movement on this.**

- An announcement that the President will publish clear and precise implementation milestones for members of Cabinet to achieve the above and a review process to ensure delivery and accountability. This must be seen within the context of building a capable state. Business has expressed its commitment to assist the President in building a capable state. **The President indicated he will agree performance agreements with his ministers and make these public in the next month. We welcome this. He also referred to the need for a capable state, but he limited this to building capacity in the Presidency and municipal government. This is not enough, and we will engage him on our thinking on this. The apparent inability of the state to deliver basic services in education, health, municipal services and the lack of cohesion in government all point to an incapable state. We reiterate our offer to the President that the private sector is willing to assist in building a capable state, provided he demonstrates decisive leadership.**
- An announcement that the President will ensure his government operates cohesively and there will not be mixed messages from different parts of government. A clear example of such mixed messages, and the damage caused, is the current debacle around SAA. **There was no mention of this, even though this erodes confidence.**
- A position that the President will ensure positive messages from all of government in order to attract investment and promote growth. Further, that all of government will be instructed not to introduce legislation that further erodes confidence at a time SA needs to build confidence in potential investors. **The President did not refer to this. Again, this erodes confidence and we expect the President to talk to this in our engagements.**
- A clear message that law and order in our country is seriously compromised and this will not be tolerated any longer. The

President must instil a sense of urgency and strategic intent to deal with the serious law and order crisis in our country. Government must inculcate respect for law and order and ensure the safety of citizens, businesses and visitors. There must be urgent action to identify critical areas of criminality and to establish professional units to address these. **The President went into some detail on this, but a lot of it was not new. We will look for quick implementation of his commitments but would expect a more cohesive and urgent intervention in making citizens and businesses safe concretely and in perception.**

- The President must emphasise the criticality of respecting the justice system and not undermining it. **The President did not refer to this critical issue at all, despite recent attacks on the judiciary.**

So, we are happy the President referred to several of our recommendations and announced some movement in some of them. However, we need to see a sense of urgency in addressing the structural challenges in the economy. We can't interpret investment commitments as real investment and the latter will only happen if the underlying conditions inhibiting investment and growth are addressed urgently. We are also concerned about indications of expenditure in a range of areas that we just can't afford currently. The decision to establish a state bank, at a time many SOE's are in severe trouble, is inexplicable. We must also question what a state bank can do that the private banking sector can't, if government plays an appropriate enabling role. We are also concerned about references to a sovereign wealth fund, which is fine in principle, but we can't talk about this until we address growth and the budget deficit.

We will continue to engage the President to develop a relationship that will crowd the private sector in concretely to work with government to address the crisis SA is in.

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