



HIGHLIGHTS OF THE STATE OF THE NATION ADDRESS

Together we move South Africa forward



REPUBLIC OF SOUTH AFRICA





**“Now is the time
to lend a hand –
send me”**

President Cyril Ramaphosa delivered his inaugural State of the Nation Address (SoNA) on Friday, 16 February 2018 in Parliament, Cape Town.

He said: “We have been given the responsibility as South Africans to build a new nation, to confront the injustices of the past and the inequalities of the present.

“The state we are in as a nation is that while poverty declined significantly following the democratic breakthrough of 1994, we have seen reverses in recent years. Poverty levels rose in 2015, unemployment has gone up and inequality has persisted.

“For several years, our economy has not grown at the pace needed to create enough jobs so that we can lift our people out of poverty. Public finances have been constrained, limiting the ability of government to expand its investment in economic and social development.

“Despite these challenging conditions, we have managed – working together – to achieve progress in improving the lives of our people. Even under conditions of weak growth, our economy has created jobs, but not at the pace required to absorb new entrants into the labour market.

“This means that as we pursue higher levels of economic growth and investment, we need to take additional measures to reduce poverty and meet the needs of the unemployed in our country.”

“In just over 150 days from now, the peoples of the world will unite in celebrating the 100th anniversary of the birth of Nelson Rolihlahla Mandela.

“It is a day on which we, as South Africans, will remember the life of one of the most remarkable leaders this country and this continent – and indeed, the world – has known. We will have an opportunity to recount Madiba’s long walk to freedom, his wisdom, his unfailing humility, his abiding compassion and his essential integrity.

“We have dedicated this year (2018) to his memory and we will devote our every action, every effort, every utterance to the realisation of his vision of a democratic, just and equitable society. Guided by his example, we will use this year to reinforce our commitment to ethical behaviour and ethical leadership.

“In celebrating the centenary of Nelson Mandela we are not merely honouring the past, we are building the future and particularly the future that Mandela envisaged.

“We are continuing the long walk he began, to build a society in which all may be free, in which all may be equal before the law and in which all may share in the wealth of our land and have a better life.

“We are building a country where a person’s prospects are determined by their own initiative and hard work, and not by the colour of their skin, place of birth, gender, language or income of their parents.

“This year, we also celebrate the centenary of another giant of our Struggle, Albertina Nontsikelelo Sisulu. Through her remarkable life and outstanding contribution, she defined what it means to be a freedom fighter, a leader and a diligent and disciplined servant of the people. Through her leadership, she embodied the fundamental link between national liberation and gender emancipation. As we mark her centenary, we reaffirm that no liberation can be complete and no nation can be free until its women are free.

“We honour this son, Nelson Rolihlahla Mandela, and this daughter of the African soil, Albertina Sisulu, in a year of change, in a year of renewal, in a year of hope. We honour them not only in word, but, more importantly, in direct action towards the achievement of their shared vision of a better society.

“We should honour Madiba by putting behind us the era of discord, disunity and disillusionment. We should put behind us the era of diminishing trust in public institutions and weakened confidence in our country’s leaders. We should put all the negativity that has dogged our country behind us because a new dawn is upon us and a wonderful dawn has arrived.

“It is a new dawn that is inspired by our collective memory of Nelson Mandela and the changes that are unfolding. As we rid our minds of all negativity, we should reaffirm our belief that South Africa belongs to all who live in it.”

“For though we are a diverse people, we are one nation. There are 57 million of us, each with different histories, languages, cultures, experiences, views and interests. Yet we are bound together by a common destiny that we are South Africans.”

“We are one people, committed to work together to find jobs for our youth; to build factories and roads, houses, and clinics; to prepare our children for a world of change and progress; to build cities and towns where families may be safe, productive, and content.”

“We are determined to build a society defined by decency and integrity, that does not tolerate the plunder of public resources, nor the theft by corporate criminals of the hard-earned savings of ordinary people.”

“While there are many issues on which we may differ, on these fundamental matters, we are at one. We know that there is still a lot that divides us. We remain a highly unequal society, in which poverty and prosperity are still defined by race and gender.”

Employment

Since the start of the current Parliament, public employment programmes have created more than 3,2 million work opportunities. In the context of widespread unemployment, these opportunities continue to provide much-needed income, work experience and training.

Social development

Government has taken measures to reduce the cost of living for the people, especially for the poor. Government's **Free Basic Services Programme** currently supports more than 3,5 million indigent households.



More than 17 million social grants are being paid each month, benefiting nearly a third of the population. These social grants have elevated the lives of the people and are valued by the people.

To break the cycle of poverty, government aims to educate the children of the poor, which should start in early childhood. There are currently nearly a million children in early childhood development facilities.

Basic education

There are improvements in the outcomes of the basic education system. The matric pass rate increased from 60,6% in 2009 to 75,1% in 2017. There are currently almost a million students enrolled in higher education, up from just over 500 000 in 1994.

Government is determined to build on these achievements, confront challenges and accelerate progress in building a more prosperous and equitable society.

Economy

South Africa has seen a moderate recovery in its economy and a broader, sustained recovery in the global economy.



Commodity prices have improved and keep on improving, and factories are receiving many orders, the stock market has risen, the rand has strengthened and there are early indications that investor confidence is on the rise.

Government has taken decisive measures to address concerns about political instability, and is committed to ensuring policy certainty and consistency. There is a greater sense of optimism among the people who are hopeful about the future. Business confidence among South African companies has improved and foreign investors are looking anew at opportunities in the country. Some financial institutions have identified South Africa as one of the hot emerging markets for 2018.

The task of South Africans is to seize this moment of hope and renewal, and to work together to ensure that it makes a meaningful difference in the lives of the people.

This year (2018), government will be initiating measures to set the country on a new path of growth, employment and transformation. It will do this by getting social partners in the country to collaborate in building a social compact on which to create drivers of economic recovery.

Government plans to build further on the collaboration with business and labour to restore confidence and prevent another investment downgrade. Tough decisions have to be made to close the fiscal gap, stabilise debt and restore state-owned enterprises (SOEs) to health.

Job creation

At the centre of the national agenda in 2018 is the creation of jobs, especially for the youth. Government will embark on a number of measures to address the unemployment challenge.

One of the initiatives will be to convene a **Jobs Summit** within the next few months to align the efforts of every sector and every stakeholder behind the imperative of job creation.

The summit will look at what needs to be done to ensure that the economy grows and becomes more productive, that companies invest on a far greater scale, that workers are better equipped, and that the economic infrastructure is also expanded. This summit is expected to come up with practical solutions and initiatives that will be implemented immediately.

Investment

Government will make a major push this year to encourage significant new investment in the economy. To this end, it will organise an investment conference in the next three months, targeting both domestic and international investors, to market the compelling investment opportunities in the country.

Manufacturing

Government will address the decline over many years of manufacturing capacity, which has deeply affected employment and exports. It will seek to reindustrialise on a scale and at a pace that draws millions of job seekers into the economy.

Government will promote greater investment in key manufacturing sectors through the strategic use of incentives and other measures that it has at its disposal.

To further stimulate manufacturing, government will forge ahead with the localisation programme, through which products like textile, clothing, furniture, rail-rolling stock and water meters are designated for local procurement. Government has already spent more than R57 billion on locally produced goods that may have been imported from other countries.



Industrialisation

Special economic zones remain important instruments to attract strategic foreign and domestic direct investment, and build targeted industrial capabilities and establish new industrial hubs throughout the country. The process of industrialisation must be underpinned by transformation.

Through measures like preferential procurement and the black industrialists programme, government is developing a new generation of black men and women producers that are able to build enterprises of significant scale and capability.

Government will improve its capacity to support black professionals, deal decisively with companies that resist transformation, use

competition policy to open markets up to new black entrants, and invest in the development of businesses in townships and rural areas.

Radical economic transformation (RET)

RET requires the fundamental improvement of the position of black women and communities in the economy, ensuring that they are owners, managers, producers and in the end, some of them could even become financiers.

Youth employment

Government's most grave and most pressing challenge is youth unemployment. It aims, as a matter of great urgency, to draw young people in far greater numbers into the productive economic activities of the country through programmes such as the **Employment Tax Incentive**. Young South Africans will be moved to the centre of the economic agenda.

They are already forming a greater proportion of the labour force on infrastructure projects and are the primary beneficiaries of programmes such as the installation of solar water heaters and the War on Leaks programme. Government is taking steps in involving youth in tackling these challenges.



Working in partnership with business, organised labour and community representatives, government is creating opportunities for young people to be exposed to the world of work through internships, apprenticeships, mentorship and entrepreneurship.

In March 2018, government plans to launch the **Youth Employment Service** initiative, which will place unemployed youth in paid internships in companies across the economy.

Together with its partners in business, government has agreed to create a million such internships in the next three years. To respond effectively to the needs of youth, it is essential that young people articulate their views and are able to engage with government at the highest level.

To this end, government will be establishing a **Youth Working Group** that is representative of all young South Africans to ensure that its policies and programmes advance their interests.

Infrastructure

Infrastructure investment is key to efforts to grow the economy, create jobs, empower small businesses and provide services to the people. Government has invested heavily in new roads, power stations, schools and other infrastructure.

As some of government's projects are taking time to get off the ground and to enhance its efforts, government will assemble a team to speed up implementation of new projects, particularly water projects, health facilities and road maintenance.

Government will focus on improvements in the budget and monitoring systems, improve the integration of projects, and build a broad compact on infrastructure with business and organised labour.

Mining

Mining is another area that has massive unrealised potential for growth and job creation. Government aims to see mining as a sunrise industry rather than a sunset industry.

With the revival in commodity prices, government is determined to work with mining companies, unions and communities to grow the sector, attract new investment, create jobs and set the industry on a new path of transformation and sustainability.

This year, it will intensify engagements with all stakeholders on the **Mining Charter** to ensure that it is an effective instrument to sustainably transform the face of mining in South Africa.

By working together, in a genuine partnership, underscored by trust and a shared vision, the stakeholders will be able to resolve the current impasse and agree on a charter that both accelerates transformation and grows this vital sector of the economy.

Processing of the **Mineral and Petroleum Resources Development Amendment Bill** through both houses of Parliament is at an advanced stage, with an indication by Parliament that the Bill will reasonably be finalised during the first quarter of 2018.

The Bill, once enacted into law, will entrench existing regulatory certainty, provide for security of tenure and advance the socio-economic interests of all South Africans.

Government is extremely concerned about the rise in mining fatalities, particularly last year (2017). It calls on mining companies to work together with all stakeholders to ensure that mine accidents are dramatically reduced. One mining fatality is one too many.

Small business development

Ultimately, the growth of South Africa's economy will be sustained by small businesses, as is the case in many countries. It is government's shared responsibility to grow this vital sector of the economy.

Government will work with its social partners to build a small business support ecosystem that assists, nourishes and promotes entrepreneurs. It will honour its undertaking to set aside at least 30% of public procurement to small, medium and micro enterprises, cooperatives, and township and rural enterprises. It will also continue to invest in small business incubation.

Government encourages big business to also find ways of incubating small businesses. The establishment through the **CEOs Initiative** of a Small Business Fund – which currently stands at R1,5 billion – is an outstanding example of the role that the private sector can play.

Government is finalising a small business and innovation fund targeted at start-ups.

Among other things, the **Small Enterprise Finance Agency** has launched a scheme to develop and fund entrepreneurs with disabilities called the **Amavulandlela Funding Scheme**.



It will reduce the regulatory barriers for small businesses. It is also working to expand economic opportunities for people with disabilities.

Agriculture and land reform

Agriculture presents one of the greatest opportunities to significantly grow the country's economy and create jobs. Agriculture made the largest contribution, by a significant margin, to the improved growth of the economy in the second and third quarters of 2017.

This year, government will take decisive action to realise the enormous economic potential of agriculture. It will accelerate the land redistribution programme not only to redress a grave historical injustice, but also to bring more producers into the agricultural sector and to make more land available for cultivation.

Government will pursue a comprehensive approach that makes effective use of all the mechanisms at its disposal. Guided by the resolutions of the 54th National Conference of the governing party, this approach will include the expropriation of land without compensation.

Government is determined that expropriation without compensation should be implemented in a way that increases agricultural production, improves food security and ensures that the land is returned to those from whom it was taken under colonialism and apartheid.

Government will undertake a process of consultation to determine the modalities of the implementation of this resolution.



Government makes a special call to financial institutions in the country to be partners in mobilising resources to accelerate the land redistribution programme, as increased investment will be needed in this sector.

Tourism

Tourism is another area which provides the country with incredible opportunities to, quite literally, shine. Tourism currently sustains 700 000 direct jobs and is performing better than most other growth sectors.



South Africa is the most beautiful country in the world and has the most hospitable people. South Africans should open their hearts, huts and rondavels to tourists. This year, government will enhance support for destination marketing in key tourism markets and take further measures to reduce regulatory barriers and develop emerging tourism businesses.

Science and technology

The country's prosperity as a nation depends on the ability to take full advantage of rapid technological changes. This means the urgent need to develop capabilities in the areas of science, technology and innovation. Government will soon establish a Digital Industrial Revolution Commission, which will include the private sector and civil society, to ensure that the country is in a position to seize the opportunities and manage the challenges of rapid advances in information and communications technology.

The drive towards the digital industrial revolution will be underpinned by the availability of efficient networks. Government will finalise its engagements with the telecommunications industry and other stakeholders to ensure that the allocation of spectrum reduces barriers to entry, promotes competition and reduces the cost to consumers.

South Africa has acceded to the Tripartite Free Trade Area (FTA) agreement, which brings together the Southern African Development Community, Common Market for Eastern and Southern Africa and the East African Community.

The FTA will combine markets of 26 countries with a population of nearly 625 million. It will open market access opportunities for South African export products, and contribute to job creation and the growth of South Africa's industrial sector.

Negotiations towards the **Continental Free Trade Agreement** are progressing at a brisk pace, and it is expected that the framework agreement could be concluded soon.

International relations

South Africa will this year take over the chair of the Brazil, Russia, India, China and South Africa (BRICS) group of countries, and will give priority to the promotion of value-added trade and intra-BRICS investment into productive sectors.

National Minimum Wage (NMW)

On 1 May 2018, government will introduce the first NMW in South Africa. This historic achievement – a realisation of one of the demands of the Freedom Charter – is expected to increase the earnings of more than six million working South Africans and improve the living conditions of households across the country.

The introduction of an NMW was made possible by the determination of all social partners to reduce wage inequality while maintaining economic growth and employment creation. It stands as another example of what is possible when South Africans engage in meaningful dialogue to resolve differences, difficulties and problems, and confront challenges.

To ensure greater coherence and consistency in the implementation of economic policy – and to ensure that government is better equipped to respond to continuously changing economic circumstances – a **Presidential Economic Advisory Council** will be appointed. It will draw on the expertise and capabilities that reside in labour, business, civil society and academia.

Drought

The country remains gripped by one of the most devastating droughts in a century, which has severely impacted the economy, and negatively affected social services and agricultural production.

The drought situation in the Western Cape, Eastern Cape and Northern Cape has been elevated to a national state of disaster. This gives national government the authority to manage and coordinate responses nationally with the support from all provinces. This will ensure that government also heightens integrated measures to support the hardest-hit provinces.

Government is looking at activating the necessary extraordinary measures permitted under the legislation. It has commended the people of Cape Town and the rest of the Western Cape for diligently observing water-saving measures.

Government calls on everyone in the country to use water sparingly as it is essentially a water-scarce country that relies on this vital resource to realise its development aspirations.



Subsidised free higher education and training

On 16 December 2017, former President Jacob Zuma announced that government would be phasing in fully subsidised free higher

education and training for poor and working class South Africans over a five-year period.

Starting this year, free higher education and training will be available to first year students from households with a gross combined annual income of up to R350 000.

The Minister of Higher Education and Training will lead the implementation of this policy, while the Minister of Finance will clarify all aspects of the financing of the scheme.

In addition to promoting social justice, an investment of this scale in higher education is expected to contribute to greater economic growth to also help in reducing poverty and inequality, enhancing earnings and increasing the competitiveness of the economy.

Government will continue to invest in expanding access to quality basic education and improving the outcomes of public schools. The **Funza Lushaka Bursary** programme plans to award 39 500 bursaries for **Initial Teacher Education** over the next three years.

Languages

In a historic first, from the beginning of 2018, all public schools have begun offering an African language. Also significant is the implementation of the first National Senior Certificate examination on South African Sign Language, which will be offered to deaf learners at the end of 2018.

School infrastructure

The **Accelerated Schools Infrastructure Delivery Initiative** programme continues to deliver modern facilities to schools in rural and underprivileged urban areas across the country, with at least 187 schools being complete to date. The programme will complete all outstanding projects by the end of the next financial year.

Social grants

Social grants remain a vital lifeline for millions of South Africans living in poverty. Government will urgently take decisive steps to comply with all the directives of the Constitutional Court. It will finalise work on a permanent public sector-led hybrid model, which will allow a set of public and private sector service providers to offer beneficiaries maximum choice, access and convenience.

Health

This year, government will take the next critical steps to eliminate HIV. By scaling up the testing and treating campaign, government will initiate an additional two million people on antiretroviral treatment by December 2020. It will also confront lifestyles diseases such as high blood pressure, diabetes, cancers and cardiovascular diseases.

In the next three months, government will launch a huge cancer campaign similar to the HIV counselling and testing campaign. This will also involve the private sector to mobilise all resources to fight this disease.

The time has now arrived to finally implement universal health coverage through the National Health Insurance (NHI). The NHI Bill is now ready to be processed through government and will be submitted to Parliament in the next few weeks. Certain NHI projects targeting the most vulnerable people in society will commence in April this year.

Safety and security

In improving the quality of life of all South Africans, government aims to intensify its efforts to tackle crime and build safer communities.



During the course of this year, the **Community Policing Strategy** will be implemented, with the aim of gaining the trust of the community and to secure their full involvement and cooperation in the fight against crime.

The introduction of a **Youth Crime Prevention Strategy** will empower and support young people to be self-sufficient and become involved in crime-fighting initiatives. A key focus this year will be the distribution of resources to police station level.

This will include personnel and other resources, to restore capacity and experience at the level at which crime is most effectively combated.

Social partners

In recognising the critical role that non-governmental organisations (NGOs) and community-based organisations (CBOs) play in tackling poverty, inequality and related social problems, government will convene a **Social Sector Summit** during the course of this year. Among other things, this summit should seek to improve the interface between the State and civil society, and also address the challenges that NGOs and CBOs face.

State-owned enterprises

Building growth, development and transformation depend on a strong and capable State. It is critical that the structure and size of the State is optimally suited to meet the needs of the people and ensure the most efficient allocation of public resources.

Government will therefore initiate a process to review the configuration, number and size of national government departments.

Many SOEs are experiencing severe financial, operational and governance challenges, which has impacted on the performance of the economy and placed pressure on the fiscus. Government will intervene decisively to stabilise and revitalise SOEs.

The recent action taken at Eskom to strengthen governance, root out corruption and restore its financial position is just the beginning of the processes government will embark on.

Government will take further measures to ensure that all state-owned companies fulfil their economic and developmental mandates. It will need to confront the reality that the challenges at some of SOEs are structural – that they do not have a sufficient revenue stream to fund their operational costs.

These SOEs cannot borrow their way out of their financial difficulties, and government will therefore undertake a process of consultation with all stakeholders to review the funding model of SOEs and other measures.

Government will change the way that boards are appointed so that only people with expertise, experience and integrity serve in these vital positions. It will remove board members from any role in procurement and work with the Auditor-General to strengthen external audit processes.

As government addresses challenges in specific companies, work will continue on the broad architecture of the SOEs sector to achieve better coordination, oversight and sustainability. This is the year in which government will turn the tide of corruption in its public institutions.

Tackling corruption

The criminal justice institutions have been taking initiatives that will enable government to deal effectively with corruption. The **Commission of Inquiry into State Capture** headed by the Deputy Chief Justice, Judge Raymond Zondo, is expected to commence its work shortly.

The commission is critical to ensuring that the extent and nature of state capture is established, that confidence in public institutions is restored and that those responsible for any wrongdoing should be identified.

The commission should not displace the regular work of the country's law-enforcement agencies in investigating and prosecuting any and all acts of corruption.

Government urges professional bodies and regulatory authorities to take action against members who are found to have acted improperly and unethically.

This requires strengthening law-enforcement institutions and shielding them from any external interference or manipulation.

Government will urgently attend to the leadership issues at the National Prosecuting Authority to ensure that this critical institution is stabilised and able to perform its mandate unhindered without any fear, favour and prejudice.

"We must fight corruption, fraud and collusion in the private sector with the same purpose and intensity.

"We must remember that every time someone receives a bribe there is someone who is prepared to pay it.

"We will make sure that we deal with both in an effective manner."

– **President Cyril Ramaphosa, SoNA, 16 February 2018, Parliament, Cape Town.**

Strengthening vital institutions

Government will also take steps to stabilise and strengthen vital institutions like the South African Revenue Service (SARS). The tax morality is dependent on an implicit contract between taxpayers and government that State spending provides value for money and is free from corruption.

At the request of the Minister of Finance, a **Commission of Inquiry into Tax Administration and Governance of SARS** will be

"I believe that our country has entered a period of change.

"While change can produce uncertainty, even anxiety, it also offers great opportunities for renewal and revitalisation, and for progress.

"Together we are going to make history in our country.

"We have done it before and we will do it again – bonded by our common love for our country, resolute in our determination to overcome the challenges that lie ahead and convinced that by working together we will build the fair and just, and decent society to which Nelson Mandela dedicated his life."

– **President Cyril Ramaphosa, SoNA, 16 February 2018, Parliament, Cape Town.**

appointed to ensure that government restores the credibility of the service and strengthen its capacity to meet its revenue targets.

Public service

The State employs one million public servants, the majority of whom serve people with diligence and commitment. However, people face challenges when they interact with the State. In too many cases, they often get poor service or no service at all.

Government wants public servants to adhere to the principle of Batho Pele – putting the people first. It is determined that everyone in public service should undertake their responsibilities with efficiency, diligence and integrity.

Government wants to instil a new discipline – to do things correctly, to do them completely and to do them timeously. It calls on all public servants to become agents for change.

During the course of the next few months, President Ramaphosa will visit every national department to engage with the senior leadership to ensure that the work of government is effectively aligned.

He will also find time to meet with provincial and local government leaders to ensure that the State, in its entirety, responds to the pressing needs of the people.

Thuma Mina, by the late Hugh Masekela:

"I wanna be there when the people start to turn it around

When they triumph over poverty

I wanna be there when the people win the battle against AIDS

I wanna lend a hand

I wanna be there for the alcoholic

I wanna be there for the drug addict

I wanna be there for the victims of violence and abuse

I wanna lend a hand

Send me."

"We are at a moment in the history of our nation when the people, through their determination, have started to turn the country around.

"We can envisage the triumph over poverty, we can see the end of the battle against AIDS. Now is the time to lend a hand. Now is the time for each of us to say 'send me'.

"Now is the time for all of us to work together in order to move our country forward.

"Now is the time for all of us to work together, in honour of Nelson Mandela, to build a new, better South Africa for all. Now is the time."

– **President Cyril Ramaphosa, SoNA, 16 February 2018, Parliament, Cape Town.**