

Peter Middleton

COMMENT

Moving from decline to prosperity?

This year seems to have started with South Africa in a better place, with a stronger Rand, a high gold price and indications of a fragile economic recovery. Cyril Ramaphosa's 2026 State of the Nation Address (SoNA) on 12 February left me feeling far more optimistic about South Africa's future than I have for some time.

Centred around moving South Africa from an "era of decline" to one of "prosperity and growth", he noted in his introduction that the world is rapidly changing; narrow self-interest has replaced the common good; trade is used as an instrument of coercion; might is right, and the powerful impose themselves on the weak.

To navigate this new world, said Ramaphosa, we must draw on our strength as a nation: "our values of dignity and equality, of non-racialism and non-sexism, diversity, and of the inherent worth of every person." A unifying message for South Africans that, I believe, would have made Archbishop Desmond Tutu feel proud.

Turning towards economic successes in 2025, he cited two consecutive primary budget surpluses; an improved credit rating; interest rates, inflation and national debt coming down; the strengthened Rand; and the JSE performing "exceptionally well" – all reflecting a "broader economic recovery, investor confidence and increasing interest in South African equities".

Budget interventions announced included: a commitment of over R1-trillion to public infrastructure over the next three years; a reassurance that loadshedding had ended; a commitment to a more resilient energy system; and that, by 2030, "40% of the energy supply will come from renewable sources". He also announced small-business support of over R3.5-billion and a 150% tax deduction for investments in new-energy vehicles.

A key priority for 2026, he announced, will be to tackle the national water crisis. Ramaphosa identified dysfunctional municipalities as a key problem in this regard, with poor planning and maintenance as drivers of service delivery failures.

The government has committed over R156-billion in public funding over the next three years for water and sanitation infrastructure, with work advancing on major projects, including the Lesotho Highlands Water Project (Phase 2), the Ntabelanga Dam (Mzimvubu Water Project), and the uMkhomazi Dam.

A critical problem, he suggested, is that many metros, cities and towns use water revenue for other purposes, and very little is invested in upgrading and maintaining water infrastructure. "To address this challenge, in line with the commitment we made last year, we have introduced a new R54-billion incentive for metros to reform their water, sanitation and electricity services. This will

ensure that revenue from water usage is put straight back into fixing pipes, reservoirs and pumping stations.

"Water outages are a symptom of a local government system that is not working," he continued, before announcing "a far-reaching overhaul" to address the root causes of dysfunction in many municipalities.

The government is in the final stages of establishing the National Water Resource Infrastructure Agency to better manage and mobilise funding for infrastructure. The Water Services Amendment Bill will introduce a licensing system for water service providers, allowing the government to revoke licenses for poor performance or failure to meet quality standards. In addressing broken water infrastructure, he said the government will work with municipalities to establish professional, ring-fenced utilities for water and electricity to ensure investment is directed toward maintenance.

He also announced a local government overhaul with a view to creating a modern, fit-for-purpose system: "Arresting the decline of local government will require our collective action, which we are now taking. Learning from our experience over the past 30 years, we will, in the coming months, finalise a revised White Paper on Local Government. This will provide solutions for an effective local government system that will reimagine how local government works," he said, adding that the current system is too complex and fragmented. "We will propose fundamental changes that recognise that some municipalities can assume more functions than others, and that we need a differentiated approach to municipal powers and responsibilities."

The funding model for municipalities will also be reviewed to ensure they have a sustainable revenue base for service delivery. At the same time, the government will expand support to municipalities that require technical assistance.

"This must be the year that we make South Africa stronger," Ramaphosa said in his conclusion: by fixing local government, fighting crime and corruption, creating jobs, and building a state that works.

"We must ensure that this rising tide lifts every South African. In this way, we can build a stronger, more resilient, and more equal society – one that stands tall among the nations of the world. We have indeed turned a corner. Now, we must look ahead and move with speed."

While positive spin is inherent to any presidential address, my key takeaway is that Ramaphosa is aware of the headwinds South Africa faces and is striving to put in place sensible, long-term solutions, "with unity and partnerships as the primary drivers for South Africa's transition from recovery to long-term prosperity".



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