

IMF loan is turning point for SA

by Geordin Hill-Lewis MP – DA Shadow Minister of Finance

Chairperson,

Open the Economy

The economy is not just numbers on a page, graphs, percentages, statistics. This abstract view glosses over what really makes up the economy: people.

The economy is an irreducibly complex and beautiful tapestry that supports the lives of every single person. You cannot pull on one thread of it, without disturbing all of the other threads at the same time.

What we are currently witnessing is the unravelling of the South African economy before our eyes.

3 million South Africans have lost their jobs, now face unprecedented hardship and have lost their hope. Tens of thousands of businesses have closed or are closing. South Africans face real hunger, and the anxiety of financial ruin is leading some to take their own lives.

The Democratic Alliance calls on the government to stop the needless suffering and poverty of so many by ending the lockdown and reopening the full economy immediately, because #JobsSaveLives.

Emergency Budget

The profound economic depression and national suffering that this lockdown has brought on is the backdrop to the Emergency Budget that we are debating today.

This is a budget which:

- seeks to borrow R770 billion this year alone;
- sees Government revenue collapse by R304 billion in one year;
- which will spend R236 billion in debt service costs alone; and
- which takes South Africa over the fiscal cliff, where all Government revenue is spent on just three items: salaries, interest on debt, and social grants.

IMF loan

Perhaps most importantly, this is a budget which for the first time in South Africa's democratic history, relies on lending money from the International Monetary Fund.

This is not something to celebrate. The simple truth is that no growing and healthy economy is forced to borrow from the IMF, and no responsible Government ever lets a nation's finances deteriorate to the point where they must go as supplicants to the IMF.

The ANC should not celebrate this, they should be ashamed of this. It is a stark reminder of the years of mismanagement, bad policy, and corruption they have visited on this country.

The approval of the \$4.3 billion loan from the IMF is a turning point moment for South Africa.

The DA's proposals

Either the government will honour the laudable commitments it has made in its Letter of Intent to the IMF and begin the slow recovery that will restore the economy to growth; or it will honour those commitments in the breach.

The DA is absolutely committed to supporting deep economic reforms. And we have shown this by already proposing or introducing many of the measures that government commits to in the letter.

The government has committed to:

- **The introduction of a debt ceiling:** The DA has made a positive proposal to introduce a debt ceiling called the Fiscal Responsibility Bill, which is already tabled and is 'ready to go'. The Bill introduces a legislative limit to the amount of new debt the government can borrow each year without the permission of Parliament. The Minister has already explicitly committed to debt stabilisation by 2023/24 and has now gone even further in proposing a debt ceiling. We support you in this commitment, and we look forward to your support of the Fiscal Responsibility Bill.
- **Energy Reform and Eskom unbundling:** the DA has tabled the Cheaper Electricity Bill, which achieves exactly that, splitting Eskom and letting Metros buy their own electricity. We support you in this commitment, and we look forward to your support of the Cheaper Electricity Bill.
- **Reform of the public service:** The DA has tabled a workable, costed plan to reduce the public wage bill while protecting the wages of frontline workers like nurses, teachers and police officers. We support you in this commitment, we look forward to your support of our proactive proposal.
- **Publishing Covid-19 expenditure details:** The DA has proposed the appointment of a Special Inspector General for Covid expenditure, and we have proposed that Government publishes all the details of Covid-19 relief expenditure, the details of companies that win contracts, along with the names of directors of those companies. We note your commitment to do exactly this, and we look forward to you doing so without delay. Let's start this week!

The DA has made all of these proactive, positive proposals because we want South Africa to succeed and thrive. We want to help ensure South Africa never faces a full-blown sovereign debt crisis.

No one who loves South Africa should want to see that outcome, and we should all work to get our economy growing.

But we will not avoid that outcome so long as we dither in reform, compromise to every powerful political lobby group inside the ANC and capitulate on 'line in the sand' decisions like bailing out SAA.

If the ANC's commitment to reform is not worth the paper that the letter to the IMF is written on, then this will not be the last such letter it writes, and the next loan will not be nearly so friendly.

END