

Government's economic policies sure to fail South Africa again

by **Dr Dion George MP** – DA Shadow Deputy Minister of Finance

Thank you, Chairperson.

The mandate of the National Treasury includes coordinating macroeconomic policy, ensuring transparency, accountability, and sound financial controls in the management of the country's finances and collecting all taxes.

Although the Covid-19 pandemic has caused further devastation to our economy, we were already in serious trouble well before the pandemic arrived on our shores. GDP projections over the past 10 years have been overstated because government's incoherent economic policy consistently failed to generate economic growth. Government remains trapped in its failed ideological belief that it can create economic growth and generate jobs. Government can create the environment for economic growth and job creation if it develops the necessary policy framework and spends the people's money to the benefit of the people.

The failed developmental state is clearly unable to break the cycle of unemployment and poverty. That state has made the environment hostile to small business and entrepreneurs and favours a very few politically connected who have become extremely wealthy under the guise of a policy to empower the majority of South Africans who remain trapped in poverty. The policy of Broad Based Black Economic Empowerment resulted in exactly the opposite. Riddled with corruption and incompetence, the Developmental State has failed. Government focus is now on building infrastructure. The idea is that our economy will grow off the back of big State projects. The State-owned enterprises are a living example of big State projects that have failed and have robbed the poorest South Africans of the basic service delivery that any competent government would be expected to deliver.

Despite these spectacular failures, government intends to establish a State Bank. This will merely serve as a new method for the corrupt to steal even more, just faster and more efficiently.

The macroeconomic policy of placing the state at the center of our economy has failed and the pandemic has highlighted why. A government unable to roll out a desperately needed vaccine programme is not worthy and where it has provided PPE, the staggering levels of corruption reflects what is happening anywhere government is involved.

This collapse in good governance is perhaps Treasury's greatest failure. As the custodian of the people's money, it is responsible for ensuring it is accounted for and steps are taken when it is misappropriated. Treasury has been unable to do that. As State-owned enterprises collapsed into financial ruin, one after the other, Treasury was unable to intervene effectively. Instead, one bailout after another was processed.

In the face of a crippling pandemic, the hopelessly bankrupt SAA was bailed out, again. Where is the custodian? How does this happen, over and over again?

There is no doubt that SARS is emerging from its capture by Jacob Zuma's former commissioner Tom Moyane, and that it will focus on collecting the tax that our economy so desperately needs. The focus should be on the wealthy tax evaders who have hidden assets wherever they can and on the local

industries, such as the taxi industry, that generates billions in income and pays virtually no tax. When the people have no confidence that government will spend their hard-earned tax wisely and to the benefit of those who need services the most, it cannot be expected that taxpayers will feel committed to paying their fair share of the tax revenue. The private sector companies who colluded with the rogues at SARS must also be held to account. It has long been clear that government is not the only perpetrator of corruption; they are facilitated by poorly governed corporations in the private sector. SARS does need to be commended for exceeding tax revenue expectations under difficult economic conditions.

The effects of the pandemic are biting hard into our economy and into the lives of hard-working South Africans. Now is not the time for government to be dithering on finding solutions. As the pandemic runs its course, we do have an opportunity to emerge with a different economic model. A model that encourages small business and entrepreneurs to thrive. A model that does not tolerate corruption from a government so big and incompetent that suffocates economic growth possibilities. A leaner and more capable government, without its millionaire managers, can achieve that.

The Committee noted the slow pace of pension fund reforms and that this resulted from complex discussions at Nedlac. Government has been clear that it intends to access Pension Fund assets to fund big government infrastructure projects. The question will be what the form of this State borrowing from Pension Funds will take and what return members will enjoy. And if they will actually get their money back.

Yesterday the Committee received presentations on my private members bill, designed to enable pension fund members to leverage their own pension fund assets to their own benefit, without eroding their retirement savings. From the discussion, it is clear that an intervention is necessary and needed now, given the hardship currently faced by hard working South Africans heavily affected by the financial and personal consequences of the Covid-19 pandemic. In that interaction it was obvious why the reform process has stalled. Treasury does appear insensitive to the plight of workers in distress and the industry lobby appears to have no sense of urgency in getting creative solutions into legislation. This is an ongoing discussion and, on this issue, the DA, COSATU and other Committee members are on the same page.

Treasury does need to up its game on retirement reform and we look forward to our further engagements.

Thank you