For Recovery, South Africa Needs Growth – Our Current Fiscal Path Offers Neither

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Note to Editors: *The following speech will be delivered in Parliament today during the debate and vote on the 2021 Medium Term Budget Policy Statement.*

Madame Speaker,

After the most recent GDP numbers and unemployment stats, which showed that our economy contracted by 1,5% and that more than 600 000 South Africans had lost their jobs, one would have anticipated that the impetus to make hard choices would be upon the government. Instead, more of the same was the order of the day – as budget policy for the longest time has been written to placate the enemies of growth and the enemies of employment in the ANC.

The first problem with the MTBPS is that it did not offer a clear path to a post-COVID economic recovery plan. The structural reforms announced have either been ones that are dragging along slowly due to dithering by his cabinet colleagues, or are minor reforms that paper over the cracks. The real structural issues identified by major economic institutions – labour market reform, ease of doing business, and policy certainty – have not been mentioned at all. The reality is that these hard choices would offend the enemies of growth and enemies of employment in the ANC, and so they have been put off.

The second problem is that there is actually no plan to contain government debt – debt expenses will, from next year, consume more public finance than healthcare. Debt service costs already consumes more than combined spending on defense, state security, the justice system, home affairs, arts and culture and sports and recreation combined. This is a terrible reality for South Africans. Debt service costs will continue to crowd out spending on public services, particularly for the poor, with no end in sight. None of the borrowing over the last decade was put to any good use – the ANC borrowed hundreds of billions of Rands funded state capture and cadre deployment instead of infrastructure and fixed capital formation – and we are now inching closer and closer to the fiscal cliff. This MTBPS admits that debt-to-GDP will only stabilize by 2026. The hard choices here have been put off to placate the enemies of growth and enemies of employment by 2026.

An MTBPS that was serious about reform would have announced measures to reform the economy, and contain public debt. An MTBPS that was pro-poor would have announced measures to support the vulnerable by creating an economic environment that lifted people out of poverty though job creation. An MTBPS that was focused on recovery would have given a firm commitment to no tax increases in order to provide certainty and ignite growth.

The ANC always speaks about being pro-poor, but the truth is that the ANC is pro-poverty. ANC policies keep millions of people locked in poverty. ANC policies keep shrinking the tax base. ANC policies deter investment. ANC policies destroy jobs.

What we got in the MTBPS is more of the same. The reality is simple - the ANC is too busy dealing with its various internal factions to make decisions in the public interest. Most of these internal ANC factions are enemies of growth and employment. As a consequence, fiscal policy in South Africa is about unity of the ANC – but unity of the ANC does nothing for the poor. South Africa is running out of options on its fiscal trajectory, and the longer the ANC sides with the enemies of growth and the enemies of employment, the harsher the electoral consequences will be.