

**Alternative Medium Term Budget Policy Statement 2022**

**A Budget to Cut Food Prices, Fight Poverty, and Inspire Economic Growth**

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**Table of Contents**

[**1.** **Introduction 2**](#_Toc116638082)

[**2.** **Establish a Base for Resilient Economic Growth 3**](#_Toc116638083)

[2.1. No More Bailouts for State-Owned Entities (SOE’s) 4](#_Toc116638084)

[2.2. Energy Security and Loadshedding 5](#_Toc116638085)

[2.3. BBBEE (Broad Based Black Economic Empowerment) As a Failed Policy 6](#_Toc116638086)

[**3.** **Reducing Gross National Debt and Managing Expenditure 6**](#_Toc116638087)

[3.1. Government Debt 7](#_Toc116638088)

[3.2. Government Expenditure 8](#_Toc116638089)

[3.2.1. Wage Bill 8](#_Toc116638090)

[3.2.2. DA Expenditure Cut Proposals 9](#_Toc116638091)

[**4.** **Support for Vulnerable South Africans 9**](#_Toc116638092)

[4.1. Basic Income Grant (BIG) 10](#_Toc116638093)

[4.2. Small-, Medium-, and Micro Enterprises (SMME) support 11](#_Toc116638094)

[**5.** **No Increases in Taxes** 12](#_Toc116638095)

[**6.** **Commit to the Bolstering of Corruption Busting Institutions 13**](#_Toc116638096)

[**7.** **Conclusion 14**](#_Toc116638097)

[Figure 1: Government Debt-to-GDP Forecast 8](#_Toc116113697)

[Table 1: Alternative Budget Framework 0](#_Toc117424601)

# **Introduction**

On Wednesday 26th October, the Minister of Finance Enoch Godongwana will deliver one of the most challenging Medium-Term Budget Policy Statements (MTBPS) to date. This year’s MTBPS will serve as the key determinant on how Treasury plans to orient South Africa’s fiscal trajectory such that the economy is able to grow resiliently amongst soaring living costs, an ongoing energy crisis and growing international volatility.

South Africa’s post-pandemic recovery has been underperforming on many fronts. Rising debt, slower growth, record unemployment and increasing food insecurity – all happening in an unstable political environment, require bold policy choices. According to the International Monetary Fund (IMF), South Africa’s economic contraction of -6.4% was among the largest in emerging markets in 2020. The mediocre 4.9% rebound of 2021 is compounded by a tepid average growth projection of 1.9% in 2022.

Regardless of recent estimates having revised emerging market growth rates downwards to 3.4%[[1]](#footnote-1), most emerging market economies have evidently begun to recover from the devastating effects of the pandemic and enduring lockdowns, notwithstanding their own challenges and the prevailing negative global economic headwinds. Yet, South Africa finds itself trailing behind its emerging market peers, much due to its own accord. Considering this, the meagre South African growth figures cannot be considered as positive amidst hundreds of billions of Rands of deficit spending and, fiscal and monetary stimulus. While there were slight marginal gains in terms of economic growth, this lethargic performance remains reflective of an economy performing well below its potential, the result of failed economic policy.

As a developing country with a massive labour force at its disposal, South Africa should be experiencing continuous virtuous growth. To this end, if South Africa was to implement the policy reforms put forward by the DA in our 2022 Alternative Budget, it is possible that the country could potentially experience economic growth rates at par with the world’s most successful emerging markets and growth projections made in the February 2022 budget of 4.8%[[2]](#footnote-2). Projections in this Alternative MTBPS will rest on this assumption.

Instead, the South African economy finds itself trapped in a manufactured self-reinforcing vicious cycle of high government budget deficits, unstable energy supply, declining foreign and local private capital formation, declining levels of GDP per capita, uncertainty on private property rights, poor national and local governance, and a vast poorly run public sector dominated by monopolistic state enterprises.

The DA’s Alternative Budget in February 2022 proposed a fiscal policy platform that would direct South Africa’s economic recovery towards virtuous growth to generate higher levels of labour market participation, reduce public debt, raise living standards, attract foreign and local investment, and alleviate the disproportionate impact of rising inflationary pressures on the most vulnerable in our society through responsible fiscal management.

The policy imperatives of these key outcomes have not changed and provide the framework for the DA’s Alternative 2022 MTBPS which presents practical solutions that would facilitate an investment friendly environment. Achieving economic growth, especially in the context of the international economic climate, would have to be the function of a collective and pragmatic approach that leverages the resources of the private sector and a deregulated labour market. Although government has proven itself incapable, it still seeks to occupy a central role in our economy. It should, rather, focus on providing the service it was elected to deliver and then get out of the way. Accordingly, this year’s alternative MTBPS builds on the DA’s alternative budget proposed in February 2022 and lays the foundation for our alternative budget in February 2023.

The DA’s primary expectations for the MTBPS include:

1. Establishing a base for resilient economic growth
2. Reducing gross national debt and managing expenditure
3. Supporting the vulnerable
4. Committing to no tax increases
5. Committing to the bolstering of Corruption Busting Institutions

To realize the above set of expectations, the Minister must from the outset place an emphasis on achieving fiscal sustainability by ensuring that South Africa remains on course to achieve the fiscal targets set in the 2022 February budget. Since its estimations were made, global and local conditions have worsened significantly, and growth expectations have been revised downwards as a consequence. As such, now more than ever, the attainment of the budget’s fiscal targets can only be the function of firm cost containment measures.

Given the current trends of upward spiralling costs of living, and the devastation of an unreliable energy supply, it would be a particularly daunting task as this very necessary approach is one that will require debt reduction measures, an acceleration of economic growth and prudent expenditure management. This undertaking must strike a balance between ensuring support to the most vulnerable in our society and address severe service delivery deficiencies whilst not relying on any tax increases. It must, at the same time, also provide a firm commitment to the bolstering of institutions that combat corruption and organized crime.

# **Establish A Base for Resilient Economic Growth**

Economic indicators point to the fact that South Africa is trapped in a vicious low growth cycle. There are many factors, most of which are under control of the government, that reinforce one another in this regard. Last year saw the South African economy expand by 4.9%. This year the economy is expected to grow by 1.7%[[3]](#footnote-3), revised down from the 2022 Budget’s estimate of 2.1%. Growth in output reached 1.9% in the first quarter, decreased by 0.7% in the second quarter and is forecast to grow at 0.7% and 0.4% in the third and fourth quarters respectively. In the medium term the economy is forecast to expand by 1.4% in 2023 and by 1.7% in 2024, below previous projections of the budget for both years.

Low economic growth reduces tax revenue and increases deficit spending, which leads to even more government borrowing. Higher debt raises country risk resulting in higher servicing costs, which constrains access to capital, and in turn further lowers growth. These constraints are compounded by poor governance at local, provincial, and government levels, barely functioning state-owned enterprises, and corruption on an industrial scale.

The structural weaknesses in the South African economy severely constrain its ability to remain resilient in the face of growing international uncertainty. Without deregulating the rigid policy environment, which inhibits economic activity, building economic resilience will not be attainable, inflation will continue to surge, the rate of unemployment will spiral upwards and economic growth will remain meagre, if at all positive.

The South African economy must undergo large scale economic reform for which the removal of many of the barriers that government has imposed would be the catalyst.

## **2.1. No More Bailouts for State-Owned Entities (SOE’s)**

Continuous bailouts to SOE’s have served to finance failing entities’ debt services, salaries, and current spending on suppliers. Apart from the contribution to employee consumption, specifically the “millionaire manager” class, there is no perceivable value added to growth and development in the sectors wherein these entities operate.

These high-risk investments have yielded nothing but negative rates of return for the economy, attesting that even in the face of large revenue shortfalls and tightening borrowing constraints, the government is willing to draw from other state-financing sources to fund deteriorating patronage networks. This has resulted in resources being taken away from other expenditure items that serve as actual and valid growth-generating opportunities. Despite the severe cost to the economy, there is no apparent urgency to address the fundamental problems of SOE failure. If this is not the result of sheer bureaucratic inertia, it must be that SOEs serve as sources of patronage and vast arrays of vested union and tenderpreneur interests.

Minister Godongwana must therefore remain firm on his pledge to not reprioritise budget items to bail out failing SOEs. The recurrent bailouts crowd out infrastructure investment and expose the fallacy of the government’s empty rhetoric on implementing structural economic reforms. This is reinforced by the lack of incentives to exercise responsible management on the part of SOE’s as the taxpayer carries the burden of inefficient management, not the entity itself. Cabinet cannot continue to delay the inevitable collapse of SOEs in the misplaced hope that the public’s tolerance is endless and that obsolete SOEs will eventually self-correct, turn profits, and fund themselves from their own balance sheets. Failure to act now by opening the sector to private sector investment will keep the country locked in an indefinite low growth trap and will hamper any attempt at stabilising the economy.

The Minister has in the past also displayed an interest in reinstating prescribed assets i.e., forcing private pension funds to invest their assets in government bonds and state-owned enterprises (SOEs). This marks a significant risk to the fiscus as well as investor confidence. Private funds must not be utilised to subsidise the failures of the Government and its SOE’s. Furthermore, transferring debt from SOEs to the national balance sheet remains a non-viable option.

## **2.2.** **Energy Security and Loadshedding**

Uncertain energy supply coupled with an unstable political environment has drastically impacted the development of South Africa and severely limited the growth potential of our economy. Not only does it stall output, but the uncertain environment generates cynicism and severely damages investor confidence as any prospect for a positive yield is hampered by self-manufactured continuous power failures.

Today, Eskom is representative of the failure of centralised government and its inability to provide sustained energy supply as rolling blackouts have been estimated[[4]](#footnote-4) to cost our economy between R1.5 billion and R4 billion per day. The embattled state-owned enterprise sector remains the greatest barricade to the realisation of virtuous economic growth in South Africa.

With outdated infrastructure, insurmountable debt, and significant cost overruns the entity is empirically on the brink of collapse. In this regard, Eskom in 2022 serves as the ideal case study as to why the government energy monopoly cannot be relied on as the sole national energy supplier., Since the start of rolling blackouts in 2007, the ANC government has failed to procure an adequate amount of electricity supply to fuel the economy and satisfy consumer demand.

There has been much talk regarding solutions for South Africa’s electricity crisis, yet after 15 years of living under scarce energy supply, not enough has been done. Without the prospect of privatising electricity generation, South Africa will not be able to generate the economic growth that is required to meet the lofty goals of the NDP by 2030 which aspired to have an estimated annual growth rate of at least 5%.

Based on this grim energy outlook, the DA reiterates its call for the privatisation of Eskom and the opening up of the energy sector to Independent Power Producers (IPPs). Continued state ownership of the entity has not served to benefit the poor, and due to a lack of incentives, never will. In the interim, Eskom must prioritise the streamlining of its procurement processes while letting in massive private capacity to power a growing South Africa. By opening up the energy sector, innovation and voluntary action will keep the lights on and the wheels of the economy moving towards the growth rate needed to address higher employment.

Given the already strained fiscus, the Minister must further provide assurance that, under no circumstances, will Treasury reallocate the debt of Eskom to its sovereign debt profile.

Treasury must further do more to enable South Africans to become independent of Eskom through firstly instituting a 100% solar power rebate. The DA[[5]](#footnote-5) can commit to setting aside R4 billion over the MTEF in this regard.

## **2.3.** **BBBEE (Broad Based Black Economic Empowerment) As a Failed Policy**

Race-based policy in South Africa finds expression primarily in BBBEE and Affirmative Action as contained in the Employment Equity Act (EEA). These policies, among others, generate massive and counterproductive distortions in the economy and have effectively served as the primary impediments to labour market participation for those South Africans who are not beneficiaries, yet capable of becoming productive, and competent participants in our economy.

Furthermore, race-based BBBEE has facilitated corruption and elite enrichment, and race-based Affirmative Action policy has enabled unskilled cadre deployment. The same case that could be made about Eskom and other countless entities that operate throughout the public and private sectors. The South African economy and its citizens, especially the poor, have borne the consequences of a distorted labour system. By excluding the full participation of those who are capable, our economy has become distorted and less efficient, at a time when it can least afford it.

The DA’s Labour Policy Framework sets out a more effective mechanism for redress and economic inclusion.

As an initial step to address the failure of BBBEE as an economic policy and the damage done as a consequence of its implementation, the DA is finalising a private member’s bill that will amend the Preferential Procurement Policy Framework Act (PPPFA) by removing the BBBEE consideration and replace it with consideration to be paid, under certain circumstances, to a company’s contributions towards a variety of different Sustainable Development Goals (SDG's).

# **Reducing Gross National Debt and Managing Expenditure**

The 2022 MTBPS must provide a fiscal framework that is focused on reducing the deficit whilst stimulating economic growth and job creation, even though Government has on a regular basis missed its own fiscal targets. To ensure that this approach is sustainable, it is important that South Africa urgently addresses the interdependent challenges of a high debt burden, increasing deficit spending, and low economic growth.

In his February 2022 Budget, Minister Godongwana committed government to stabilising debt at 75.1% of GDP. In the February Budget consolidated spending was expected to amount to R 6.62 trillion over the MTEF period (a deficit of 5.7%). Given deteriorating international and local conditions, these fiscal budget expectations are unlikely to be met as the projections were made before Russia illegally invaded Ukraine. Russia’s invasion prompted central banks across the world to tighten their monetary policy approach by increasing repo rates in an attempt to combat rising inflation. The latter was largely the result of unwarranted Russian aggression which led to significant energy and food supply chain disruptions. For South Africa, the economic consequences of Russia’s actions have been compounded by the anti-poor fiscal policies of the ANC that increasingly pursue centralisation and localisation.

**The DA will introduce a Responsible Spending Bill that is designed to prioritise responsible and optimal expenditure and reduce overall government debt.**

## **3.1. Government Debt**

Subsequent to the Growth, Employment and Redistribution (GEAR) period, which prioritised growth enhancing policies that realised year on year economic growth rates averaging 3% – 5%, there was a change of mind in Government as it decided to pursue a redistributive policy approach, with disastrous consequences.

One of the primary tools that the South African government has employed to secure the funds that financed the significant increases in expenditure required by a redistributive policy framework was the accumulation of debt. However, in order to be able to repay the principal of a loan plus interest a borrower must also be a wealth generator, which a government run in accordance with the economic agenda of the ANC cannot be. Instead, the state under the ANC only serves to consume wealth i.e., the more it spends, the more resources it must take from the actual wealth generators in our society (individual workers and private sector business) and in doing so undermines the wealth generating process of our economy.

This period saw Government’s debt burden rise from just 27% of GDP in 2008 to 69.5% (R4.35 trillion) in 2021/22 and was expected by the 2022 Budget to stabilise at 75.1% in 2024/25. The February 2022 budget estimated that over the medium-term, debt‐service costs are expected to average R333.4 billion a year. Debt‐service costs have been the fastest growing item on the Budget while consuming an increasing share of GDP and revenue for the past two decades. Today, on average, 20 cents of every Rand collected in revenue every year will be used to pay debt‐service costs. As a consequence, interest payments on accumulated debt have crowded out spending on essential public services that include policing, public health, and basic education among others.

Through the implementation of the DA’s economic policy framework, we are able to show how we would bring our national debt under control at an accelerated pace and consolidate South Africa’s fiscal position sooner than the ANC government by generating sufficient economic growth.

The figure below models the DA’s growth forecast for this Alternative Budget. This is compared to the government’s debt forecasts, shown on the top line. We have used Treasury’s debt forecasts, the SARB’s growth projection forecasts and further market consensus growth forecasts. The DA’s modelling shows that we can reverse the upward trend of government’s debt-to-GDP ratio as soon as the 2024/25 financial year.

Figure 1: Government Debt-to-GDP Forecast

## **3.2.** **Government Expenditure**

The February 2022 Budget estimated this year’s deficit to reach 5.7% of GDP in 2021/22. A consolidated budget deficit of 6% of GDP is projected for 2022/23, which narrows to 4.2 % of GDP in 2024/25. It is clear the current expenditure path is not sustainable as all the forms of welfare and deficit spending in the world cannot unlock new sources of capital formation, wealth generation and prosperity.

Furthermore, achieving a surplus while growing the economy through prudent fiscal management will be especially challenging given that the recent commodities boom, that provided some temporary reprieve to the fiscus through improved revenue, is over. It is therefore important for the Minister to resist the temptation of continuing to rely on recent tax overruns realised from the cyclical commodities upswing when Transnet is not even able to reach export targets nor transport the volumes of coal demanded by the energy-starved Northern hemisphere. In fact, South Africa is losing money in this regard; R 35 billion[[6]](#footnote-6) in bulk mineral exports was lost in 2021 while R50 billion has been lost in 2022 so far.

### **3.2.1. Wage Bill**

The increase in debt and deficit spending did not result in increased spending on infrastructure and capital formation - instead, it funded consumption spending. Government salaries, specifically the ‘millionaire manager’ class, ballooned beyond what can be considered as sustainable and justifiable (given the lack of increase in output) – most notably in the areas of social work, transport, and central government administration.

Between 2014/15 and 2019/20, civil‐service compensation grew above inflation at an average annual rate of 7.3 %. Between 2019/20 and the end of the MTEF period, it will grow at 2.1 % per year. As such the Minister must provide definitive assurance that government will resist increasing public sector wage increases for workers not compensated by the Occupation Specific Dispensation fund.

The danger that double-digit inflation will become entrenched when wage settlements are above the Reserve Bank’s target band is a very real risk and once inflation expectations become de-anchored from the target, only drastic policy steps will work. The Minister can therefore not give in to the increasing pressures brought forward by trade unions and collective bargaining councils to artificially raise wages without the accompanying increase in output.

### **3.2.2. DA Expenditure Cut Proposals**

In this regard, the DA proposes the following cuts from the budget:

* In order to address the public sector wage bill conundrum, the DA proposes freezing the wages of public servants not covered by the Occupation Specific Dispensation (OSD) (including the likes of head-office managers and supervisors) over the three-year MTEF period. This would yield savings of R140 billion.
* In addition, the government can save another R60 billion over the MTEF period by reducing the number of ‘millionaire managers’ in the civil service.
* R18 million saved by freezing the New Development Bank funding by over the MTEF
* R1 billion by reducing fruitless and wasteful expenditure in Government entities over the MTEF
* R5.25 billion over the MTEF by slashing VIP Protection and Security Services
* R4.5 billion shutting down the NYDA over the MTEF
* R4.68 billion over the MTEF through cutting the budget for the National Health Insurance
* R15 billion over the MTEF period through more efficient procurement and a focus on reducing irregular expenditure and corruption
* R50 million saved from cancelling the Cuba donation
* R8.2 billion saved by Ministerial Department and other catering, accommodation, and entertainment

# **Support for Vulnerable South Africans**

Today, poor, and vulnerable South Africans continue to shoulder most of the economic burden caused by a post pandemic recovery that leaves much to be desired. This is compounded by unstable international conditions and hostile ANC policies that discourage economic participation and increase living costs.

According to the 2021/22 Budget, Government’s medium‐term spending plans include an allocation of R3.33 trillion for the social wage. The budget also set aside R44 billion to extend the special COVID‐19 social relief of distress grant to March 2023. The February Budget also allowed for spending on social wages to rise from 58.2% to 59.5% of consolidated non‐interest spending between 2019/20 and 2021/22.

Nearly half of the population currently receives at least one social grant from the state. This is not sustainable. Yet, due to the sheer number of South Africans living in absolute poverty, Government spending on direct support for the poor must be protected from cuts.

In this regard, the DA’s intricate policy reform framework enables the financing for the rollout of a vast and sustainable social welfare net. It does so not by spending lavishly, but through running a budget surplus and generating economic growth that is guided by the DA’s policy. The savings on the government’s interest bill alone will be sufficient to finance much of the initial rollout.

The DA’s emphasis on the need to stimulate the economic growth dividend is informed by the proven metric that growth based on pragmatic principles generates ample employment opportunities, promotes investment and capital formation, and improves revenue collection. Prioritizing economic growth is therefore the fundamental step to uplifting South Africans out of absolute poverty, providing support for the unemployed, and initiating the formation of human and physical capital.

With the savings realised from the DA’s targeted spending, savings, and the implementation of the DA’s policy framework targeted at uplifting the poor, the DA commits to protecting inflationary increases in social grants. This would entail social grant increases in excess of R35 billion over three years.

## **4.1.** **Basic Income Grant (BIG)**

The DA is strongly in favour of providing conditional direct income support for the most vulnerable in our society as it provides an economic floor and channels funds into the hands of consumers who are best placed to decide where to spend it. This makes for a more efficient distribution of resources relative to a coupon or the current grant system as the market makes better allocative decisions than the government. Given the current economic climate (low economic growth and a shrinking tax base), the DA is concerned that the country cannot afford to expand social transfers by funding a BIG to a growing number of state dependents indefinitely without first meeting the necessary growth requirements.

In this regard, it is only when the government actually does accrue the necessary savings, achieve a budget surplus, implement the requisite policies that would spur economic growth, and is able to substantially reduce debt could a BIG grant be tabled for serious consideration.

If a BIG is not funded by growth the large immediate expansion of social transfers would threaten fiscal sustainability and lead to significant employment losses by actually decreasing economic activity and growth[[7]](#footnote-7).

South Africa’s debt position plays a crucial role in this assessment:

* Without fiscal space for expansionary policies alongside a shrinking tax base, any stimulus is impotent.
* If the BIG is predominantly debt-financed, the deteriorating fiscal position causes the risk premium on sovereign debt to rise and weigh on investment and growth.
* If the BIG is predominantly tax financed, significant crowding-out of private expenditure occurs and the risk of mass wealth emigration increases significantly.
* If the BIG is predominantly financed through government expenditure re-prioritisation, the provision of other important public services will be meaningfully hampered.

The negative economic effects of expanding social welfare through any of these channels would outweigh the positive effects – the medicine cannot be worse than the disease.

Considering the negative implications for fiscal sustainability and a severely constrained fiscal position, funding a BIG is only feasible if economic growth rises substantially and sustainably; it bears reiterating that this is feasible should the DA’s market-oriented policy framework be adopted and implemented which necessitates increased government infrastructure investment, expansion of employment programmes and, critically, growth-enhancing economic reforms that leverage the private sector.

The DA can budget for the introduction of a conditional Universal Basic Income Grant at R585 per month for adults between the ages of 19 and 59 of which the cost is estimated as R232 billion per year[[8]](#footnote-8). The grant would be made available on the understanding that it would only be provided when revenue generated from GDP growth is available, as would be the case given the implementation of the DA’s policy framework.

## **4.2.** **Small-, Medium-, and Micro Enterprises (SMME) support**

SMMEs are considered the backbone of any developed or developing economy as they drive growth, provide employment opportunities and open new markets. In this process they also create groups of skilled and semi-skilled workers who support industrial and business expansion in the country, which is particularly relevant for the South African economy. The growth of the SMME sector is therefore vital for the survival of our economy. From local spaza shops to small tech firms, the majority of businesses in South Africa operate in the sector; in March 2022, the OECD identified 2.6 million operating SMME’s throughout all industries in the economy.

If the government seeks to alleviate poverty and inequality, the best steps to take are in the direction of reducing the cost of living and creating conditions that are favourable to plentiful employment. This is particularly relevant for SMME’s as the sector generates 36% of South Africa’s total output and employs up to 60% of the country’s workers.

For work and output in the SMME sector to be abundant the following basic requirements are to be met:

* It must be easy to start a business.
* It must be easy to operate the new business.
* It must be easy to make a profit so the business can survive the first few years and,
* It must be easy to hire employees.

These factors require an environment of low-cost compliance with regulations, low tax rates, low costs of transactions, reasonable transport costs, reasonable cost of, reasonable availability of capital for small enterprises, local and national governments that actively seek to smooth the path of new enterprises and existing enterprises seeking to expand, and a transparent marketplace that isn't dominated by politically dominant cartels and subservient-to-cartels government agencies.

However, the South African SMME sector has been struggling for some time to fully unlock its potential, there is an urgent need to lessen the regulatory hurdles that stand in their way. More detailed proposals will be included in our Alternative Budget in February 2023.

In this regard, the DA will in the coming months **introduce a Private Member’s Bill that will enable the SMME sector, in particular high potential growth start-ups, to seamlessly serve as the engines of economic growth in South Africa.**

The tax regime for small firms needs to be addressed to accelerate their growth. We will make specific proposals in our Alternative Budget in February 2023. These in addition to the proposals we made in February 2022 to empower SMME companies.

# **No Increases in Taxes**

South African households and consumers remain overtaxed at every turn. Today every income, every activity, every piece of property, every person in the country is subject to a battery of taxes by a government that has wasted, misappropriated, and stolen significant amounts of public funds. There is of course nothing new about this; what is new is that the accelerating drive of the government to tax has begun to run into determined resistance on the part of the South African citizenry. Tax is theft when government mismanages the public finances to the extent we have experienced in South Africa.

As such, the DA will not support the introduction of any new taxes or further tax increases.

Our alternative budget in February 2022, set out several proposals for tax relief. Given the current cost of living emergency, we propose that the tax on fuel and an expanded zero-rated VAT food basket be considered now, and not deferred until February 2023.

* **Cut tax on fuel [[9]](#footnote-9)**– The cost of fuel is adding to inflationary pressures for South Africans, especially among the poor and the vulnerable. Fuel is the bedrock of a modern, motorised economy – yet it is taxed as if it is a luxury. It does not help that tax levies, including ‘opportunity taxes’ for the Road Accident Fund now constitute 52% of the fuel price. This is unsustainable. The government must immediately review its fuel price determination model and cut the fuel levy.
* **Increase Zero Rated Vat Basket[[10]](#footnote-10) -**The average cost of a food basket of 44 basic items has increased by over R500 on a year-on-year basis.It is essential that the Minister of Finance, Enoch Godongwana, through the MTBPS announce food price relief. A zero-rate of VAT on a much-increased basket of essential foods will alleviate millions in food taxes paid by struggling South Africans. Items within the increased basket must include chicken, beef, tinned beans, wheat flour, margarine, peanut butter, baby food, tea, coffee, and soup powder.

# **Commit to the Bolstering of Corruption Busting Institutions**

A recent report from the Financial Action Task Force (FATF), an international watchdog, identified significant weaknesses in parts of South Africa’s financial regulations which have resulted in high cases of money laundering and terrorism funding in the country. If no significant changes are made to legislation, the country could be greylisted – meaning it would be deemed a high-risk jurisdiction to transact with.

If this were to happen, it would signal to the international market that South Africa is unwilling and unable to urgently tackle systemic organized crime and high-level corruption.

Corrupted economies are not able to function properly because the very nature of corruption disturbs the market and thereby prevents the natural laws of the economy from functioning freely. As a result, corruption in a nation's political and economic operations causes its entire society to suffer.

The consequences of which are dire and include:

* Artificially higher costs of living and disrupted market prices
* Parallel shadow economies
* An inefficient allocation of public and private resources
* Unevenly distributed wealth
* Low stimulus for innovation, foreign investment, and trade
* Poor Education and Healthcare

In this MTBPS, the Minister must provide assurance that more will be done to bolster the capabilities of institutions, such as the NPA, to fight corruption. Given that billions have been directed towards bailing out dysfunctional SOEs, the 2022 MTBPS and 2023 Budget provide the perfect opportunities for the Minister to direct funds that have been misappropriated and wasted throughout other Ministerial departments towards law enforcement agencies that combat specialized and organized crime such as corruption, money laundering, and terrorist financing.

Given that the current budget for the National Prosecuting Authority is barely R4.8 billion, much of the funding for the expansion of the entity could even be redirected from wasteful expenditure items – such as Department accommodation, catering, and entertainment among other things and ministerial perks - throughout the various Ministerial Departments and entities that report to them.

# **Conclusion**

Today all manner of crises beset the South African economy i.e., more than half of all young people in South Africa are unemployed, economic growth is nearly non-existent, and real GDP per capita has been falling for the past number of years. The South African economy further suffers from a stringent regulatory environment, a weak skills base and low labour market participation rates, a shrinking tax, over-strained public (and private) infrastructure, decreasing fixed investment, and extremely high levels of crime.

The ANC elites’ propensity for seeking to express optimism must be tempered by a realistic appreciation of the consequences of living in a country in which the policies of its government are not conducive to creating the business-friendly environment that will attract the requisite capital, generate the necessary growth, and support the job creation initiatives that will see millions of South Africans escape a life of poverty and desperation.

There is to this effect a significant difference between optimism professed, and optimism acted upon. As the DA we are acutely aware that there is no silver bullet. But the South African economy is surrounded by endless possibilities. The first step towards prosperity would be to do away with hostile and anti-poor policies, such as onerous race-based labour market legislation and policies that threaten to expropriate private property, to the extent that they are a non-issue.

Should we as a country not divert from the disastrous path the ANC has paved, the consequence will be that South Africa will never again aspire to rival the growth rates of comparable emerging markets.

Table 1: Alternative Budget Framework

|  |  |  |  |
| --- | --- | --- | --- |
| R ' | **2022/23** | **2023/24** | **2024/25** |
|   |   |   |   |
| **As Per 2022 Budget and SARB Forecast** |  |  |   |
|   |  |  |   |
| Nominal GDP (Budget) |  6 441 300 000 000  |  6 805 300 000 000  |  7 233 700 000 000 |
|   |  |  |   |
| Nominal GDP (SARB Forecast) |  6 310 154 699 800  |  6 398 496 865 597 |  6 507 271 312 312 |
|   |  |  |   |
| Main Budget Revenue |  1 770 600 000 000  |  1 853 200 000 000  |  1 977 600 000 000  |
|   |  |  |   |
| Main Budget Expenditure |  2 157 300 000 000  |  2 176 800 000 000  |  2 281 800 000 000  |
|   |  |  |   |
| Debt Service Costs |  301 806 300 000  |  335 497 900 000  |  363 514 800 000  |
|   |  |  |   |
| **ANC Main Budget Balance**  | **- 386 700 000 000**  | **- 323 600 000 000**  | **- 304 200 000 000**  |
|   |  |  |   |
| Tax Buoyancy  | 1,09 | 1,06 | 1,06 |
|   |  |  |   |
| Headline Inflation (SARB) | 6,50% | 5,30% | 4,60% |
|   |  |  |   |
| Food Price Inflation (SARB) | 8,10% | 5,60% | 4,20% |
|   |  |  |   |
| **DA Alternative** |  |  |   |
|   |  |  |   |
| DA GDP Growth (4,8%)  | 6 489 737 120 108 | 6 801 244 501 873 | 7 127 704 237 963 |
|   |  |  |   |
| Main Budget Revenue (DA Growth) | 1 774 548 071 686 | 1 898 888 497 434 | 2 075 540 721 551 |
|   |  |  |   |
| Main Budget Expenditure (DA Growth) |  2 160 875 880 000  |  2 201 580 860 000  |  2 307 712 886 667  |
|   |  |  |   |
| **DA Main Budget Balance** | **- 386 327 808 313** | **- 302 692 362 565** | **- 232 172 165 115** |
|   |  |  |   |
| **(Revenue Reduction)** |  |  |   |
|   |  |  |   |
| Cut fuel levy over MTEF | 44 941 918 500 | 69 459 511 500 | 89 112 682 000 |
|   |  |  |   |
| Expand Zero Rat Vat Basket  | 1 500 000 000 | 1 500 000 000 | 1 500 000 000 |
|   |  |  |   |
|   |  |  |   |
| **DA Additional Expenditure** |  |  |   |
|   |  |  |   |
| Conditional Basic Income Grant | 232 000 000 000 | 232 000 000 000 | 232 000 000 000 |
|   |  |  |   |
| Increase NPA Budget over MTEF | 4 446 200 000 | 5 609 500 000 | 6 815 400 000 |
|   |  |  |   |
|   |  |  |   |
| **DA Expenditure Cuts** |  |  |   |
|   |  |  |   |
| Lost due to corruption | 100 000 000 000 | 100 000 000 000 | 100 000 000 000 |
|   |  |  |   |
| Freezing Non-OSD Wages | 60 000 000 000 | 40 000 000 000 | 40 000 000 000 |
|   |  |  |   |
| Reduce Millionaire Managers | 60 000 000 000 | 60 000 000 000 | 60 000 000 000 |
|   |  |  |   |
| Freeze New Development Bank | 7 920 000,00 | 5 540 000,00 | 4 613 333,00 |
|   |  |  |   |
| Fruitless and Wasteful Expenditure | 300 000 000 | 300 000 000 | 300 000 000 |
|   |  |  |   |
| VIP Protection and Security Services  | 1 750 000 000 | 1 750 000 000 | 1 750 000 000 |
|   |  |  |   |
| Shut down NYDA | 1 500 000 000 | 1 500 000 000 | 1 500 000 000 |
|   |  |  |   |
| National Health Insurance (NHI) | 1 527 400 000 | 1 538 100 000 | 1 612 900 000 |
|   |  |  |   |
| Irregular Expenditure | 5 000 000 000 | 5 000 000 000 | 5 000 000 000 |
|   |  |  |   |
| Cuba Donation | 50 000 000 | 0 | 0 |
|   |  |  |   |
| Ministerial Departments Catering, Accommodation, and Entertainment | 2 735 000 000 | 2 735 000 000 | 2 735 000 000 |

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