

# Press Release

## For immediate release

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South African Institute of Race Relations

*The power of ideas*

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### **Beyond the Medium-Term Budget Policy Statement: far-reaching change desperately needed - IRR**

Concerns about how South Africa will manage the fiscus in the coming years cannot be divorced from the policy environment that is central to the country's economic malaise.

The Medium-Term Budget Policy Statement cannot be viewed in isolation of the circumstances at hand.

South Africa's National Development Plan envisioned that a sustained 5.4% GDP growth rate, underwritten by an investment rate of 30% of GDP, would be required to generate the scale of opportunities that would make a serious dent in unemployment.

We are nowhere near achieving that. Investment is at some 19% of GDP, and GDP growth last year was a meagre 1.3%. It is of particular concern that we are significantly underperforming other emerging markets.

Much of this is the consequence of poor governance choices. While public attention has been focused – understandably – on corruption, the rot at State Owned Enterprises and so on, we need to realise that inappropriate policy is playing a role.

Nothing exemplifies this quite like the intention to implement a policy of Expropriation without Compensation. This strikes at the core concern of every investor; the security of their assets. It is a major disincentive to investment. It achieves little but to empower the state – a state which is often badly compromised, and has not shown itself to be a prudent steward of the country's resources.

Getting South Africa back on track will require not just cleaning up the pathologies, but abandoning bad choices. It requires affirming private property rights, reducing the regulatory burden and undertaking labour market reforms that assist poor people to enter employment.

Anything less will condemn us to the same low-growth, low-prospects path that we are on now.

**Ends.**