

Here's how govt can fix its huge debt account, the CDE says – The Citizen 30 August 2019

The Centre for Development and Enterprise has a few pointers to stimulate growth, but describes the NHI model as being ‘unworkable’.

Putting South Africa's public finances on a more sustainable footing was not possible without faster growth, which would be impossible to accelerate without controls being imposed on the explosive trajectory of the country's debt, the Centre for Development and Enterprise (CDE) has warned.

In its report, the CDE recommends that institutions critical to growth and good governance be strengthened.

Rapid growth, said the report, was “not possible without the institutions necessary to foster and protect markets that are deep, broad and efficient”.

It added: “Also important are the systems needed to ensure efficient trade and commerce: sound banks, a stable currency, effective courts, efficient business registration procedures and the conduct of cross-border trade.

“In the absence of these, there is no prospect of rapid and inclusive growth.”

With the removal of Jacob Zuma from the presidency, the report said the past 18 months have seen “some improvements in the quality of governance, appointment of better boards at the SOEs and the work of the judicial inquiry into state capture”.

The report pointed to some political developments it said threatened to weaken some institutions. These included:

- Debate over land reform;
- Questions that have been raised about the independence of the South African Reserve Bank; and
- Possible introduction of prescribed assets by President Cyril Ramaphosa.

Referring to the national health insurance (NHI), the report described the model as being “unworkable in the face of evidence about its poor performance in the pilot sites”.

“[NHI] has now generated high levels of uncertainty among members of the medical profession and the communities they serve,” said the report.

“Confidence in government's ability to pull this off and build a healthcare industry that works is low, painful, costly and disruptive to the health industry.”

The report recommended government should:

- Fix public finances through determined efforts at fiscal consolidation;
- Overhaul SOEs by getting people to pay for the services they consume and exercising greater control over the SOE finances;
- Address skills shortages by tapping into the global skills pool more effectively through immigration reform;
- Provide reliable and affordable energy;
- Introduce labour market reform;
- Improve regulatory reform; and
- Foster urbanisation and better-managed cities.