MEDIA RELEASE	**Medium-Term Budget Speech: PSA expects recovery plan to stimulate economy and enhance service delivery**
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The Public Servants Association (PSA) expects the Minister of Finance in the upcoming Medium-Term Budget Speech address several key issues, including a plan to stimulate the economy through economic growth, job creation business support.

The PSA, representing more than 245 000 public-sector employees, also trusts that priority will be given to the public sector to ensure adequate staffing levels to enhance service delivery. Over the last three years, fiscal consolidation and economic recovery have focused on a contracting economy, lower revenue projections and reprioritisation of spending towards cushioning the effects of the COVID-19 pandemic. These measures are, however, not fit for the accelerated economic recovery that is required. The 2023 budget policy framework must decidedly shift from narrow fiscal consolidation as a key strategic policy consideration. Austerity in the last few years has resulted in a downward investment in core per-capita investment, further constraining the state's ability to make key interventions in growing the economy.

South Africa is facing a serious economic and fiscal crisis. Unemployment has soared to 40%, meaning that four in ten people are unemployed. This is unsustainable as no country can afford to carry 40% percent of its population on social welfare support. The country's productivity rate is low. Exports have reached the bottom as the manufacturing industry continues to dwindle. The unreliable and intermittent supply of electricity by Eskom further suffocates all sectors.

The fiscal challenges in 2023/24 mainly originate from lower-than-expected tax revenue collections for the first four months of the year and tighter financial conditions that have constrained government's borrowing programme and led to higher borrowing costs. These developments happened after the budget was compiled and after the 2023 public-service wage agreement was signed in March 2023. The public-service wage agreement is, however, not the source of the economic crisis. Whilst it may contribute, it is not the reason for the economic gloom. The solution to the economic woes can also not be found in public-service wage cuts. The PSA agrees with the Minister that the reality of the situation is that economic growth projections and "expectations" were unrealistic; that "intense load-shedding and freight and port logistical constraints" are crippling the economy and "the-lower-than-expected tax revenue collections" have deepened the crisis.

The PSA does not believe that curtailment of government expenditure is the magic solution for the economic problems. The PSA is concerned about government's tendency to open negotiations through the backdoor by making public statements that have serious implications on signed agreements rather than engaging unions in statutory platforms. This strategy to coerce labour into a corner by pitting it against the public will not work.

The PSA pleaded with the President and the Minister of Finance to heed the warning of the Budget Justice Coalition, which warned against budget cuts by stating unequivocally that "…these budget cuts will have longterm detrimental effects on the economy and the progressive realisation of socio-economic rights protected by the South African Constitution. Moreover, the measures will further impede the state's ability to increase much-needed capacity in key areas, such as crime prevention, health, education, social development, and early childhood services." The PSA's proposals to the Minister regarding the coming budget speech echo these warnings.

The economy is in desperate need of investment and stimulus growth led by government in cooperation with industry. The last medium-term budget cycle made incredible assumptions about growth forecasts and overestimated the economy's ability to recover. The PSA believes that this is a result of an over-emphasis on equating fiscal consolidation with austerity measures that simply target public-sector wages. More than focusing on government's wage bill and reducing critical service delivery posts, there must be a focus on better employment-yielding initiatives, GDP growth recovery, and improving real per-capita spending. There should be a stronger focus on restructuring government, and core services and redesigning programmes that yield better socio-economic outcomes such as the commendable 60% non-interest expenditure that is resulting in a greater social wage and cushioning the poor in the post-COVID reconstruction era. The focus should be on energy investment and boosting economic resilience of local economies. Many opportunities are abounded in elevated commodity prices, increased import demand, and currency depreciation. The country has failed to take advantage of these favourable conditions owing to opportunity cost-losses in failure to generate electricity and the inability to get commodities to ports. In the last year alone, higher tax revenues from elevated commodity prices have brought sharp relief to the debt-financing windfall.

Assumptions on social spending and policy ambiguity on social grants need to be readjusted as households continue to struggle in the wake of the COVID-19 pandemic. High interest rates and inflation have further eroded households' purchasing power, with fuel, energy, and transport costs negatively affecting already constrained livelihoods. With these conditions, the ability to achieve a balanced budget is increasingly becoming elusive. Small advances in revenue collection are easily eroded by misstatement of expenditure and increasing state inefficiencies. Debt-servicing costs and debt-to-GDP ratios are unsustainable at higher than 87% in the last few years, whilst spending on health care, safety and security, and education is yielding inadequate outcomes.

Government has developed an unscientific tendency for privatisation and disinvestment in state-owned enterprises and more critically in state-owned infrastructure and state-run services. To the country's economic detriment, the decimation of metro-rail and raid bus transport services in favour of e-hailing and private transport was allowed. The cost of air travel, in the absence of a functional national carrier, has set the cost of doing business far too high. Economic activity is becoming concentrated in economic hubs in a few hands, thus deepening inequality and narrowing development. The country can ill-afford a nation riddled with crime and corruption, where critical economic infrastructure is readily stolen, and systems of governance are sabotaged for personal gain or private business accumulation.

The PSA has noted with concern suggestions that government will use unorthodox monetary instruments, such as gold contingency reserves, to finance debt. This presents an overall negative outlook on sound economic management. This is especially so when there is increasing demand for the state to continue financing Transnet and other SOEs that have been allowed to fail.

The use of contingency funds often goes unaccounted for and leak from the fiscus into private hands during times of crisis. The PSA discourages the use of reserve funds for consumption and insists that more is directed towards investment spending. When start to dip into reserve funds, public-sector savings and pensions will soon also be targeted.

The country needs to get back to work, roads must be safer, and freight must get onto rail. Resources such as coal and minerals must be ready for export, ports must be capable, and all SOEs must function efficiently. What the country needs most is for its young people to have the opportunity to an education, to build skills, and to feel that they have a stake in the future. South Africans need employment, land, security, and economic opportunities.

The PSA remains a disciplined, loyal, transparent, and trustworthy partner in the socio-economic development of the country. The PSA is committed to being the first and last line of defence in the provision of public services and guards this space in favour of the well-being of South Africans. The PSA will remain a critical, yet supportive partner in assisting the Minister of Finance in making the best decisions for rescuing the country from socio-economic decline. The PSA aims to actively engage in improving the country’s economic situation. Unfortunately, society and public servants have lost faith in leaders' ability to pull the country out of poverty and inequality. Government must act swiftly and with determination to stay in step with current demands. There must be a willingness and capability to steer out of this crisis to save the nation from a catastrophic future.

The announcement of cuts in wage spending and a moratorium on the filling of vacant posts in the public service is but one of the glaring examples of a state at odds with understanding its own needs. It will, in fact, prove a blunt instrument, if not a devastating blow to the economy to lose consummate, experienced, and dedicated public servants in these times of crisis. The nation is confronted not only with economic mismanagement but deep-seated corruption, state capture, and deliberate economic sabotage. When confronted with deliberate mismanagement and disinvestment in public services, it is not inexperienced employees who leave the public service but mostly those who are sought after, and who can afford to do so, who leave. The recruitment and retention of skilled, experienced, and competent human resources lay at the heart of creating a state that is capable and fit for purpose.

The PSA urges government to not further cripple the public service by creating conditions that promote a skills flight and rather have measures in place for the retention of critical personnel. The COVID-19 pandemic showed that a stable, ethical, consistent, and dedicated public service is key as experienced and skilled public servants kept the boat afloat. The PSA hopes that the Minister will, in the interest of the country’s future, consider these critical factors during the Mid-Term Budget Speech.

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