INSTITUTE FOR ECONOMIC JUSTICE
RESEARCH POLICY ADVOCACY

STATEMENT

Godongwana's Choice: Status Quo or Transformative Growth?

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The Minister of Finance faces a choice ahead of the 2026 National Budget: entrench the status quo or trigger transformative growth. Sticking with the status quo of the past 5 to 10 years would mean continuing to privatise state functions and limit the growth of public spending. This approach has reproduced weak growth, poverty, and infrastructure deterioration. Although it is often cast to be in service of economic 'stability', it threatens long-term social stability by perpetuating hunger and exclusion, as well as undermining the economic basis for growing GDP, increased revenue, and stabilising the debt-to-GDP ratio. By contrast, the Minister of Finance and the government could choose to pursue a transformative growth agenda. This would mean taking charge of the economy, mobilising economic resources, and aggressively directing them towards productive investment and employment creation. Only a transformative growth path has the potential to create prosperity for the whole of society on the scale that is required.

At best, the status quo path could deliver sluggish growth of the kind seen in 2025. This would benefit a wealthy few. Financial services, and export-oriented sectors like mining and agriculture may thrive as logistics improve and electricity provision remains more reliable. Wealthy individuals - many offshore - who own related financial assets will see good returns as inflation remains low, and real interest rates high. As the gap between revenue and expenditure narrows, the country's credit rating may improve, allowing the government and corporations to borrow more cheaply from capital markets. However, the vast majority of the country will remain trapped in a structural crisis of mass unemployment, inequality, and failing public systems.

In sum, institutions and individuals who are already in a position of privilege will stand to take the bulk of the gains from a so-called 'stability' path. To borrow from the words of the President in the 2026 SONA, the status quo or 'stability path' will keep us trapped in a world where "narrow self-interest has replaced the common good". The rise in inequality, unemployment, and poverty globally during the late twentieth century period of 'great moderation' is strong evidence that periods of moderate growth do not necessarily translate to equitable development and full employment.

Under such a status quo 'stability-centric' path, the scourge of over 12 million people who remain unemployed will not be addressed, nor will they be able to find decent work or start sustainable businesses. Inadequate spending on healthcare, education, water, and social assistance undermines the very heart of inclusive and sustainable economic growth objectives. Redistributive fiscal policy, together with transformative industrial, monetary, and trade policy tools are all needed to unlock the kind of growth that benefits all.

In the 2026 National Budget, the Minister of Finance must choose a different, transformative growth path. As detailed in our accompanying Briefing Note, this will require:

1. Rebuilding state capacity
   Reversing wholesale outsourcing which has been at the root of corruption and patronage, and closing tax expenditures that disproportionately benefit high-income households and large corporations; better hiring and training processes to ensure a competent public service, including at municipal level; and continued financial support to SARS for better tax collection, especially targeting multinational corporations and wealthy individuals, as well as curbing illicit financial flows and profit-shifting.

2. Proactive and coordinated macroeconomic policy
   South Africa requires a coordinated effort by fiscal and monetary authorities, working towards supporting industrial policies that aim to diversify the economy and make maximum use of the country's resources, technologies, and labour endowments. Energy and logistics reforms are necessary but insufficient without employment-led public investment and implementation capacity. With a whole-of-government, whole-of-economy, and whole-of-society approach, the National Treasury should institute and drive targeted public investment and jobs packages focused on strategic industries - paired with scaled public employment pathways.

3. Strengthening social protection
   A child must be fed in order to grow. So must a country. The National Budget must urgently advance the constitutional right to social protection and close the gaping holes in our social safety net. We cannot have transformative growth, employment, and prosperity while 17.8 million people don't have enough to eat. We need a permanent, adequate, universal social protection floor. This will eliminate hunger and its individual, social, and economic costs, provide a foundation for sustainable livelihoods, and allow caregivers to play their crucial role in society, where care is an enabler and not an inhibitor of equality. A permanent basic income grant, harmonised with existing social grants, is the most appropriate policy measure to achieve this in South Africa's context.

4. Green industrialisation, gender and climate-responsive budgeting
   Climate change and energy transitions provide an opportunity for increased public investment to unlock green industrialisation in key strategic and emerging sectors such as energy, agriculture, beneficiation of critical minerals at source, and manufacturing, as outlined in the President's SONA. Strategic public finance can be directed to investment in local manufacturing, beneficiation, and upskilling, to spur employment and green growth. The large funding gap, as indicated in the Just Energy Transition Investment Plan (JET IP), needs to be addressed. This should include investment in climate response, mitigation, and adaptation - reducing climate-induced disasters, ensuring disaster preparedness, and establishing the necessary social protection for affected communities and workers.

   Budget 2026 must strengthen and institutionalise gender-responsive budgeting (GRB) as a core fiscal instrument. GRB is an approach to public finance that evaluates how government revenue and expenditure decisions affect different groups across society. It recognises that fiscal policy is not neutral: budget allocations can either reduce or reproduce existing inequalities, particularly those structured by gender and other intersecting forms of disadvantage. The interministerial committee, led by National Treasury and the Department of Women, Youth and Persons with Disabilities (DWYPD), should fulfil its mandate to undertake a rigorous and systematic assessment of the distributional impacts of the budget on vulnerable groups, including women and persons with disabilities. While the 2025 Gender Budget Statement marked an important institutional milestone, the 2026 iteration must deepen its substance by explicitly linking allocations to measurable outcomes, clear indicators, and programme reform. All selected pilot departments must conduct sector-specific, intersectional analyses, with findings directly informing budget reprioritisation and performance targets.

The 2026 Budget is an opportunity for the government to reverse its decade-long neglect of infrastructure and the people, reversing the austerity reflected in the 2025 MTBPS. Locking in the modest economic gains made in 2025 and ensuring that these lead to substantial improvements in the livelihoods of South Africans requires an ambitious and coordinated developmental macroeconomic framework that meaningfully delivers on jobs, social protection, and reduces poverty. The 2026 National Budget can demonstrate a commitment towards this by unleashing more sources of revenue, to enable larger spending in areas such as infrastructure investment, education, healthcare, and social protection. We must demand that members of parliament, as representatives of the public, exercise rigorous oversight over the National Treasury and the Minister of Finance, as in 2025, and where appropriate amend National Treasury's proposals to better reflect the needs of the public.

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