



STATEMENT

2026 MTBPS: When Austerity Becomes Law

22 October 2026

In the 2026 Medium Term Budget Policy Statement (MTBPS), Enoch Godongwana claimed that his government's commitment to fiscal stability is now "beginning to pay off". But paying off for whom? The government continues to chronically underfund services, persecute social grant holders, and underinvest in critical infrastructure, in the name of 'stability', improved credit ratings, and investor confidence. Increasing unemployment and hunger are not incidental; they are the outcomes of a fiscal strategy that regards debt stabilisation as the supreme goal to which all developmental objectives must be subordinated.

This chasm between the world of spreadsheets and the reality on the streets cannot be better summed up than by the fact that in the MTBPS speech, the Minister of Finance does not once mention the words "unemployment", "poverty" or "inequality". This is not only a clear signal that the fiscal strategy has abandoned decent employment creation, productive investment growth, and structural transformation, but a betrayal of the promises that "the people shall share in the country's wealth" and that "there shall be work and security".

Attaining higher primary surpluses by limiting the quantum of money available for spending has become the guiding principle under which all fiscal policy decisions are made. Starting points matter. If you set out to build a boat, you're unlikely to end up with something that can fly. Fiscal sustainability is a legitimate (arguably necessary) policy goal. But elevating spending restraint, debt reduction, and primary budget surpluses, as objectives above all else, including above reducing hunger, creating decent employment, and growing the economy, in the manner that the National Treasury has done (and seeks to enshrine in law) creates perverse outcomes.

One such perverse outcome is the Minister of Finance and the National Treasury's weaponisation of legitimate public anger over the prevalence of Gender-Based Violence and Femicide (GBVF) to wage an ideologically-driven battle against the Social Relief of Distress (SRD) grant and the broader social grants system. The National Treasury touts R13 billion

saved from social grants by “reducing fraud”. R6.8 billion of this has been snatched from the SRD grant, due to SASSA’s failure to pay approximately 1 million *approved* beneficiaries. This has nothing to do with fraud. The balance comes from cuts to other grants. On available *government* data, 95% of grant cancellations have been due to people being unable to comply with the grant review processes due to transport costs, lack of stable access to the internet, inconsistent contact details, and endless queues. Of the other 5%, SASSA has produced no evidence to indicate intentional abuse of the system.

These are the people — by definition the poorest in our society — that are being stripped of the social assistance they use to meet their basic needs. To drum up support for this violation of rights, the National Treasury is cynically claiming these resources are being redirected towards GBVF and child stunting interventions (beyond doubt, critical issues that require much greater funding than allocated in the MTBPS). This creates a false trade-off between protecting women from violence and protecting their economic security. It also ignores that the social protection system has been vital to reducing income, gender and racial inequality, alleviating poverty and hunger, activating labour market participation (especially for women) and, relative to overall spending, exhibits high multipliers.

The distortion of priorities is also evident in the supposed national priority: infrastructure investment. Here, the government is systematically underinvesting – in building public housing, constructing roads, bridges, schools, hospitals, and care facilities, upgrading water infrastructure, and scaling renewable energy sources – while hoping that private sector-centric modes of infrastructure development will deliver. This is despite the fact that there has been little to no evidence provided, in South Africa and elsewhere in the world, to show that a private-centric model of service provision will address South Africa’s need for reliable, quality, accessible, and affordable services for all.

Instead, private models of service and infrastructure provision, whether public-private partnerships (PPPs) or full privatisation, have been associated with large-scale retrenchment of workers, [increased](#) fiscal risk, and profit-maximisation through increasing user costs. Improvements in efficiency and reliability of services mainly benefit well-off customers and shareholders. The social disintegration caused by privatisation, the withdrawal of the state, and rising inequality is driving far-right mobilisation globally (and in South Africa), fuelling xenophobia and hate. Privatisation also means that services and infrastructure that should be [publicly](#) and socially-owned are now private goods with limited access. This further weakens the government’s balance sheet and ability to direct development.

The Minister of Finance and the National Treasury want to make the same fiscal strategy, which encourages irrational spending trade-offs and privatisation, a permanent and legally-binding tenet of the budget. The introduction of the proposed ‘principles-based’ fiscal anchor was pitched in the Minister’s speech as a return to fiscal policy driven by “developmental priorities and constitutional obligations”. The ‘principles-based’ approach is argued to give flexibility to the Executive and Parliament, in contrast with the strict numerical fiscal anchor (see the [IEJ’s](#)

[discussion document on fiscal rules](#)) which was initially [proposed](#) by the Minister of Finance in 2020. However, it can too easily ossify into rigid restrictions, particularly if the definition of fiscal sustainability is narrowly defined as the gap between current debt levels and a so-called “debt limit” (as is currently conceived by [the National Treasury](#) and the IMF).¹ By elevating this conception of debt sustainability above other priorities that fiscal policy should advance or empower, the National Treasury cements a framework that encourages perverse trade-offs.

Our contention is that the size of the fiscal envelope and how much South Africa should borrow should not be mechanically determined by a particular debt level. Rather, the size of the fiscal envelope should be determined by a representative political process that begins with the needs and rights of South Africa’s people and our developmental objectives. This should then take into account factors such as the [multiplier effects](#) of debt-induced public spending, the effective interest rate on government debt relative to the economic growth rate, the capacity utilisation rates in key economic sectors (for instance, agricultural, energy, and manufacturing), and the ability to raise additional revenue, including through taxes. Opportunities to [sustainably increase revenue](#) by taxing the net wealth of rich households, curbing illicit financial flows, and reducing tax breaks for high-income individuals have once again been ignored. All of these factors are partly policy choices of the SARB, the DTIC, ITAC, the National Treasury, and further emphasise the need for better [coordination of macroeconomic policies](#) across departments.

The 2026 MTBPS is a depressing continuation of a fiscal strategy that has failed by any measure of development for over a decade. Unemployment [stands at](#) 43.8%, care burdens and gender inequality remain entrenched, economic growth is anaemic, having [averaged](#) 0.9% between 2013 and 2025, gross fixed capital formation (domestic investment) declined from 20.4% in 2013 to 13.9% in 2025, and the majority of the population, which relies on [meagre wages](#) and inadequate social grants, is left unable to cope with the rise in the cost of living. The MTBPS focuses on a narrow set of fiscal metrics in a manner that obscures from sight the factors that mean the most to real people, remaining tone-deaf to our unfolding crises.

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¹ The IMF has been an important advisor to the National Treasury on the development of a new fiscal anchor. See the IMF’s High Level Technical Summary on [‘Strengthening Fiscal Frameworks’](#) (2026) in South Africa