**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER:** **1118 [NW1370E]**

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**1118. Mr. D Joseph (DA) to ask the Minister of Finance:**

(1) With reference to the view of a certain person (name and details furnished) that the Republic shows signs of a failing state, what (a) indicators are used by Government to measure the Republic’s environment against signs of a failed state and (b) are the details of the reform agenda for (i) senior public servants and (ii) politicians that the specified person referred to;

(2) whether Government will adjust its projected economic growth percentage for the 2022-23 financial year due to the Russian invasion of Ukraine; if not, why not; if so, what are the relevant details? NW1370E

**REPLY**

1(a) Mr. Mogajane, speaking at a post-Budget event said the following:

“*We have to remind our leaders – and I’m speaking as a South African – who are in government, in public service and politicians to get off your high horse and do what we have to do to ensure we create access and a conducive environment for people’s lives to change.*

*If that’s not going to be a motivating factor, we can start calling SA a failing state because the things that define a failing state are beginning to show, where we don’t care about the poor and improving their lives*.”

Mr. Mogajane was expressing his personal view on the corrosive impact that corruption has had on the state’s capacity to deliver basic services and warning of the consequences if our leaders fail to take action.

A failed state is a widely understood to be one that has disintegrated to a point where a sovereign government no longer functions properly and therefore cannot execute its basic responsibilities and deliver a minimum standard of living.

Whilst there is no formal framework that the government uses to test whether it is a failing state or not, the state’s ability to perform its basic functions and deliver the requisite level of services to its citizens is monitored, evaluated and regularly commented on, as is the case in many democracies. Examples include the Auditor-General’s annual reports as well as the recent reports from the Zondo Commission.

(b) Unfortunately, no details of this were attached to the submission. Could the Honourable member please resubmit the question with the relevant information to enable us to respond.

2 The National Treasury reviews the economy's outlook and associated risks as quarterly GDP statistics are made available by the relevant authorities. The economic outlook is made publicly available twice a year in the Budget Review and MTBPS. Risks to the outlook are closely monitored and subsequent developments considered in future economic outlook updates. As noted in Chapter 2 of the 2022 Budget Review, emerging geopolitical risks contribute to elevated uncertainty over the medium term.

With respect to the Russia-Ukraine conflict, the potential adverse effects to the South African real economy are likely to be fairly contained and mostly indirect if the conflict is not protracted. Historically, South Africa has recorded positive real GDP growth during periods when both Russia and Ukraine faced economic recessions, with the exception of global recession periods.[[1]](#footnote-1) This suggests that the correlation between South Africa’s growth and Russia’s and Ukraine’s is not as strong, particularly during periods where economic movements are dominated by country-specific factors.

With the situation still developing and so much uncertainty, it is relatively difficult at this stage to quantify the potential impact with precision and confidence. However, South Africa’s trade statistics point to a very weak trade intensity between South Africa and Russia and Ukraine on aggregate. Less than 1 per cent of South Africa’s exported goods are destined for Russia and Ukraine combined. A similar number is reflected on inbound goods that are from both these countries. However, within certain industries, the trade exposure is more significant – such as exports of citrus, apples and pears products – where Russia is an important destination market.[[2]](#footnote-2)

Despite relatively limited direct trade exposure to Russia and Ukraine, risks to the real economy could manifest through the import and export price channels given the importance of both countries in key energy and agricultural commodity markets. The persistent higher levels in these prices as suggested by the futures contracts[[3]](#footnote-3) introduces renewed upside risks to the global and domestic inflation and interest rate outlook.

There are risks to the current assessment regarding the impact the conflict may have on South Africa. The risks largely depend on how long the conflict persists for.

1. For example, during the post-soviet market periods from 1994 to 1999 and during the Russia’s invasion of Crimea period, from 2014 to 2015. [↑](#footnote-ref-1)
2. The diversion of volumes to other export markets or the domestic market could place downward pressure on prices and export earnings from the agriculture sector in 2022 following solid growth in the past two years. See: https://www.agbiz.co.za/content/open/14-march-2022-agri-market-viewpoint [↑](#footnote-ref-2)
3. A futures contract is a standardised legal agreement to buy or sell something at a predetermined price at a specified time in the future. [↑](#footnote-ref-3)