

11 November 2019

The President  
Mr C. Ramaphosa  
The Presidency  
Government of the Republic of South Africa  
Union Buildings  
Government Avenue  
Pretoria  
0001

By email: [presidentrsa@presidency.gov.za](mailto:presidentrsa@presidency.gov.za)  
CC: [DGRegistry@treasury.gov.za](mailto:DGRegistry@treasury.gov.za) and [minister@health.gov.za](mailto:minister@health.gov.za)

Dear Mr President

## **POLICIES SUCH AS THE NATIONAL HEALTH INSURANCE WILL LEAD TO JUNK STATUS FOR SOUTH AFRICA**

The decision by the credit rating agency Moody's to revise its investment outlook for South Africa from stable to negative serves as a clear warning that urgent reform is needed in order to save our economy from deteriorating to junk status. Unaffordable ideological policies such as the National Health Insurance (NHI) scheme will hasten this downgrade. The country lacks the resources to fund the NHI, which will be fiscally unaffordable and will increase the likelihood of a credit rating downgrade to subinvestment levels within the next 12 to 18 months.

Moody's on 4 November 2019 specifically cited South Africa's alarming government debt levels in its decision to revise its outlook on the country to negative. AfriForum therefore deems a fiscally overambitious policy such as the NHI reckless and even potentially catastrophic in the long term if it results in South Africa being downgraded to junk status.

Forging ahead with the implementation of the NHI Bill will therefore not only be disastrous for the South African economy, it will also inflate government debt to levels which will make escaping junk status impossible in the foreseeable future. According to AfriForum's report on the NHI, it will cost R446,8 billion in 2018 prices. Furthermore, one needs to consider that the total revenue from personal income tax collection – South Africa's main source of tax revenue and the main vehicle for financing the NHI – amounted to only R425 billion in 2017.

Moody's noted that it expected the debt of the South African government to reach close to 80% of gross domestic product by the end of the 2022 fiscal year, up from 57% at the end of 2018. With the additional burden of the costs linked to junk status, this level of debt load would be extremely difficult to mitigate. South Africa doesn't need the even higher fiscal burden that the NHI will bring with it – as the country is already spending R138 billion to bail out Eskom.

Considering the high levels of poverty and unemployment, the small tax base and the poor performance of the public health sector, it is difficult to envision how a government-funded system that promises "free healthcare for all" is appropriate for South Africa.



While the NHI scheme is supposed to help people gain access to medical care, a downgrade to junk status would instead undermine people's chances of economic success by either cutting their wages or eliminating their jobs altogether. In short, adopting the proposed NHI has the potential to wreck South Africa's already weak economy. AfriForum therefore calls on the President, as well as the Minister of Finance and the Minister of Health, to earnestly reconsider the approval and implementation of the NHI Bill.

Kind regards

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