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SA can still put on a parachute

FISCAL CLIFF: BEST WAY OUT WOULD BE TO CUT DOWN ON GOVT EXPENDITURE – EXPERT

» **‘The 30 Cabinet portfolios are unnecessary, could be limited to 10.’**

Ina Opperman

South Africa is going over the fiscal cliff, after being warned about it for a decade, and now government is suddenly scurrying to find more money to put the brakes on the economic decline – although there should not be any expectations of major changes with the election looming next year.

Professor Jannie Rossouw, visiting professor at the Wits Business School, says the danger he and three other economists had warned about in a journal article in 2014 has arrived.

“The end is never pretty and it is here,” he says.

In their article they said their use of the term “fiscal cliff” differs from how it is used in the US.

In South Africa it means the government has run out of income to cover growing government expenditure. In the US, it depicts a ceiling on the borrowing capacity of the federal government.

There are three ways to stop the country’s fall over the fiscal cliff, he says: borrow more money, increase tax revenue or cut government spending.

“We cannot borrow more money, as it will affect our credit grading and we are already on the greylist. If the country is downgraded further, it will affect the rand and that will cause inflation to increase again and that will affect interest rates.”

The SA Revenue Service statistics for 2022 showed who paid the most tax.

Personal income tax contributed 35.5%, VAT 25% and corporate income tax was 20.7%, comprising 81.2% of total tax revenue collections.

Rossouw says increasing tax would not help much. High-income earners who paid 20% of tax



NAVIGATING DAILY LIFE. The lack of service delivery is evident in Sebokeng, Emfuleni, as a vegetable street vendor swerves past potholes at Small Farm this year. Picture: Nigel Sibanda

would simply emigrate.

The economy is also growing at a slower rate than the population.

Therefore, Rossouw says, as financial advisors have been telling consumers for years, government must stop spending.

“Stop wasting money, stop the mismanagement of taxpayers’ money, charge government employees who are involved in corruption and stop overseas travel and buying expensive cars.

“Let everybody in government drive around in cheap, locally manufactured cars and stay at home. Meetings and conferences can happen virtually.”

Rossouw says the fact that Minister of Finance Enoch Godongwana got involved in discussing cost-cutting measures last week shows how serious the problem is. He is impressed Godongwana is holding his own in this regard.

The Free Market Foundation (FMF) has called on Godongwana to cut Cabinet roles and shelve the National Health Insurance.

It says Treasury’s announcement that there must be significant budget cuts is a welcome

sign of fiscal prudence in an age of reckless spending.

It proposes a drastic cut to the size of government, without hindering its obligations in terms of the constitution, as well as shelving “any financially unsustainable plans like National Health Insurance or the basic income grant”.

The constitution only mandates the existence of the Cabinet portfolios of president, deputy president, finance, cooperative governance, justice, defence and police.

The FMF says portfolios not required explicitly or implicitly are discretionary and SA has too many of these discretionary portfolios, costing the taxpayer millions.

It proposes the current 30-member Cabinet can be constitutionally and responsibly reduced.

Ten bureaucracies

- ▶ The Presidency, including the president and deputy president.

- ▶ Finance.
- ▶ Defence, including state security.

- ▶ Justice.
- ▶ Home affairs, including police and correctional services.

- ▶ International relations, including aspects of the current trade, industry and competition portfolio.
- ▶ Public service, including planning, monitoring and evaluation.

- ▶ Public works, including transport, electricity, water and sanitation, and aspects of agriculture, land reform and rural development, forestry, fisheries and the environment.
- ▶ Cooperative governance
- ▶ Social development, including aspects of the forestry, fisheries and the environment, and labour and employment.

Portfolios that can be scrapped

- ▶ Mineral resources and energy.
- ▶ Women, youth and persons with disabilities.
- ▶ Small business administration.
- ▶ Sport, arts and culture.
- ▶ Tourism.
- ▶ Science and innovation.
- ▶ Communications and digital technologies.
- ▶ Agriculture, land reform and rural development.
- ▶ Labour and employment.

The FMF says SA must not be naive.

“We realise that South Africa’s Cabinet and the dizzying number of official posts has more to do with political patronage than with constitutional government,” said Martin van Staden, head of policy at the FMF.

“However, with this proposal we seek to show the small number of responsible people in government and society at large that reform is possible without drastic interventions such as a constitutional amendment.”

The organisation says it is heartened that National Treasury is realising that fiscal responsibility is key to South Africa’s sustainability.

“Municipalities like Tshwane have had similar realisations, and others, like eThekweni – presently experiencing a necessary and commendable rate boycott – must have them sooner rather than later.” – *inao@citizen.co.za*



PILE-UP. Pupils walk past litter in Orlando East, Soweto, last year. Picture: Michel Bega



CITY DUMP. A pedestrian walks in the rain past a pile of litter at the corner of Loveday and Commissioner streets in Johannesburg in 2021. Picture: Michel Bega