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Author: ALEXANDER PARKER

GOVERNANCE

Who dares walk Treasury's rocky path to sustainable state?

ALEXANDER PARKER

There had been a lot of worry over the contents of the National Treasury's presentation to the president a week ago on the sacrifices required to consolidate the budget. The context, as we learnt last week, is tanking tax receipts amid economic malaise, an unemployment crisis and ballooning debt costs.

That noise you can hear is the sound of hundreds of billions of chickens coming home to roost.

Given that one of the proposals to solve this mess is tax hikes, it's interesting that the biggest noise has come from unions. I think that's because the Treasury's curt appraisal of the effect of a VAT hike of two percentage points speaks clearly. It's a bad idea and finance minister Enoch Godongwana doesn't support it.

The document describes VAT hikes as "regressive", which I suppose is necessary to say for the magic money tree crowd at the back who put their fingers in their ears when anyone starts talking about the cost of debt. Rather, the focus of the presentation is very much on what to cut.

At a cursory look, much in it seems to be mad – on the proposed chopping block are programmes that represent the most basic functions of government. You cannot cut policing or prisons or just do away with the Air Force.

But that's not really what the Treasury's new director-general, Duncan Pieterse, is suggesting. I suspect the document was also designed to deliver a shock to a flabby and sclerotic state that has been too long in a comfortable siesta.

If you're a functionary at an ineffective agency nobody has ever heard of, buried under a sea of acronyms at the bottom of a suppurating pustule of waste, such as the departments of public works and sports, arts & culture, it should give you pause for thought. You are a luxury, and we can't afford you.

This is the kernel of the ANC's political problem. The ANC can see that the coming months have the potential to damage it immensely at the polls. The poor are bearing the brunt of the collapse of Eskom, which kills SMMEs, and of Transnet's ineptitude. The first in a wave of job losses to come in mining has begun as commodity prices remain subdued and Transnet's unrelenting dysfunction trashes the mining companies and the fiscus in turn.

The political panic is visible in almost R310bn of unfunded budget submissions to the National Treasury, revealed in the presentation. It is the season for this kind of thing, but in the context of what's going on, to have documents floating around the Treasury asking for R15bn for "rejuvenating the defence force", almost R8bn for the Post Office and R35bn for "employment intervention" makes the eyes water.

In a country like SA – and in a country in its current fiscal condition – the government is left with fairly basic priorities. The first is to protect what remains of the economy. President Cyril Ramaphosa and Godongwana need to be unequivocal about this. That means standing up to the knee-jerk response of some of the old ANC guard who still, after all these years, think we can tax our way out of poverty. The economy is already reeling from repeatedly bashing its head against the Laffer curve. It's over; we can't do it.

More importantly, they need to go to war with the fascists in our politics and vigorously look after taxpayers and the employers who pay them, SMMEs and those who direct private capital into local projects. They are the only people with any money and we need to be nice to them. The usual suspects will whine. Ignore them. There is no time for junior common-room sloganeering.

Second, there needs to be a bloodless discussion about what the "product" of a constrained state is. Having established this, it must be generously funded and competently administered. That means fighting for the young and the poor and protecting the programmes that actually work, not the programmes that should work but don't – whether that's due to incompetence, corruption or indifference. Those can be fixed when there is a more competent and resourced state.

THEY NEED TO ... VIGOROUSLY LOOK AFTER TAXPAYERS AND THE EMPLOYERS WHO PAY THEM

To deliver this it's worth looking behind the shock headlines to see what the Treasury has recommended. Rather bravely, it has delivered a plan to save hundreds of billions of rand through genuine fiscal consolidation, not a politics-driven fudge, and the implementation of new regulations such as a debt ceiling. The Treasury has not only seen the truth but has, more interestingly, also dared to express it.

That's why the document recommends the disbanding or merger of the departments of tourism; agriculture & land reform; co-operative governance & traditional affairs; military veterans; women, youth & persons with disabilities; planning, monitoring & evaluation; water & sanitation; sports, arts & culture; public works & infrastructure; and public enterprises. Detractors will claim these constituencies are being abandoned, but when the existence of a department only benefits those who work for it and there are other arms of state that can do the work, it's time to call it a day.

The Treasury has also looked at a long list of government agencies and proposed mergers and closures. Most seem eminently sensible. Ultimately, the solution to our fiscal problems is not to worry so much about the balance sheet but to fix the state so that the balance sheet fixes itself. That means getting competent, honest and qualified people to run a streamlined government.

An election might deliver that, though one needs to guard against wishful thinking. In the interim, the Treasury has given us a path to sanity. Who dares walk it?

● *Parker is Business Day editor-in-chief.*