



FW de Klerk
FOUNDATION

MBOWENI'S BUDGET: SHORT ON NUMBERS, BIG ON PARADIGM SHIFTS?

Theuns Eloff: Executive Director, FW de Klerk Foundation

Everyone cautioned that Finance Minister Tito Titus Mboweni would not have a lot of leeway in presenting his Budget for the coming year in Parliament. He did not flash big numbers around, but he definitely made an impact. He quoted from the Old Testament no less than three times, almost as if he realised that he would need supernatural powers for the job at hand.

As with the President's State of the Nation, it is not sufficient to look at the numbers and the allocations and the commitments. There are few surprises. If one, however, reads between the lines, a different picture emerges.

Firstly, let us note the apparent issues. The renewal of SARS was mentioned first, as revenue collection is paramount. This includes a new Commissioner in the next few weeks, a new Illicit Economy Unit and the return of the Large Business Unit. A number of increases in sin tax are about the only changes that were made. An increased fuel levy will not be popular. Eskom gets R23 billion a year to support its reconfiguration - probably just enough to service its interest on debt. Mr Mboweni also announced the tightening of the guarantee rules for SOEs. On a similar tough note, he announced that national and provincial compensation budgets will be reduced by R27 billion over the next three years. In his closing remarks he makes the comment that we have to move expenditure from wages, to the President's Infrastructure Fund.

In aligning the budget with President Ramaphosa's five priorities, he announces the following (amongst others):

- R8.5 billion support for emerging farmers for agriculture or acquiring land (more than was spent on the entire land reform programme annually in the last few years).
- R1.2 trillion for learning and culture, with free higher education for the poor, removing pit latrines in 2 800 schools and a national symphony orchestra and ballet troupe on the cards.
- With regard to crime, he interestingly highlighted only one issue: the swift establishment of the new Investigating Directorate in the NPA.

But secondly, what are the underlying and almost paradigm-shifting messages that one can get by reading between the lines (and sometimes on the line):

SOEs should have the same rules apply to them if they are in trouble as when a bank needs Reserve Bank support. In the case of Eskom (and other SOEs) the role of a Chief Reorganisation Officer (CRO) is paramount. This is essentially a message that private sector rules should apply to the sustainability and financial feasibility of SOEs. He even asks the (albeit rhetorical) question: *"Isn't it about time the country asks the question: do we still need these enterprises? If we do, can we manage them better? If we don't need them, what should we do?"*



FW de Klerk
FOUNDATION

A similar tough message is directed at Eskom: the Government is not taking on Eskom's debt, it will have to repay it itself: *"...giving money to Eskom in its present form is like pouring water into a sieve."*

In the same vein, the former Governor of the Reserve Bank states that the *"...private sector is the key engine for job creation. Government's policy actions aim to end the uncertainty that has undermined confidence and constrained private sector investment."* Again, the central role of the private sector as a partner with government is emphasised. And in an almost throw-away line towards the end of the speech, a fundamental truth: *"We need to free our entrepreneurs from stifling regulations and complicated taxes."*

It is noteworthy that with regard to health, the message is more doctors and nurses, but no mention of the National Health Insurance system. This is comforting. And finally, a call to restore a culture of payment: not only to ordinary tax-payers to pay their taxes, but also to municipalities to pay their debts.

The Minister of Finance had very few numbers to work with. He did, however, introduce some refreshing new ideas and even paradigm shifts for the future. Read together with the President's State of the Nation, it may just signify a new direction for the economy and the country.