



ICE BERG AHEAD

BUDGET 2020

Standing & Select Committees on Finance
Public Hearings

04 March 2020

Dr Sharon Smulders
David Warneke

Technology
Unstable Currency
Governance
Water Infrastructure
Natural Disaster
Roads & Rails
SOE Guarantees
Municipal Debt
Rising Debt
Infrastructure
Energy
Sanitation

SAICA
THE SOUTH AFRICAN INSTITUTE
OF CHARTERED ACCOUNTANTS

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Welcome change in thinking:

Policy change: Low rate, broad based fiscal policy with enhanced tax simplicity

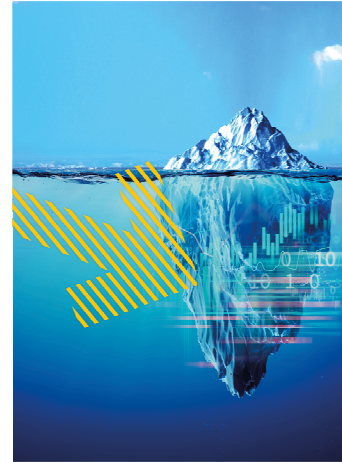
No substantial tax increases

Strengthening OTO & re-capacitating SARS

Enhancing prosecutions and address corruption cases

Undertaking to create certainty in macroeconomic framework

Reducing costs – including the wage bill



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**THE TIP OF THE
ICEBERG IS ONLY A
1/3 OF THE PROBLEM**



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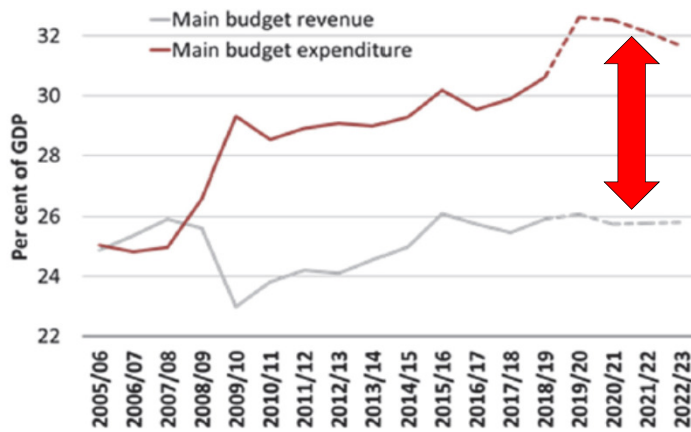




"Our problem is that we spend more than we earn. It is as simple as that."

Mboweni (2019 Budget)

Figure 3.1 Main budget revenue and expenditure



*Figures may differ from Table 3.7 due to rounding

Source: National Treasury

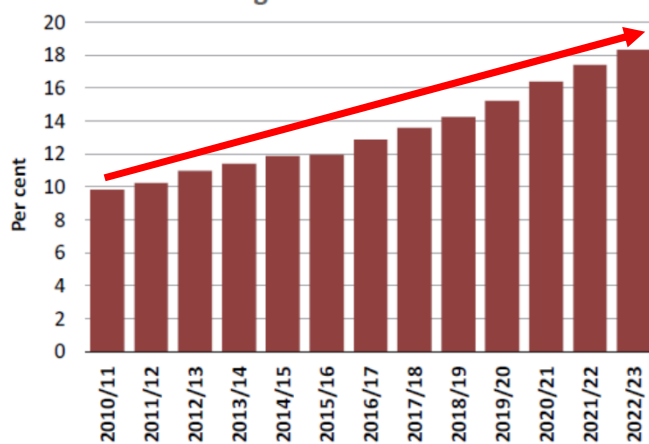


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Figure 1.2 Debt-service costs as proportion of main budget revenue



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OTHER CONCERNS


INCOME:


Estimates of tax revenue
(overstated)

EXPENDITURE:


Wage Bill Increases
(% of expenditure, revenue or GDP)

Growth
forecast %







The economy contracted for the second consecutive quarter in Q4 2019. (Source: Statistics South Africa, 2020)



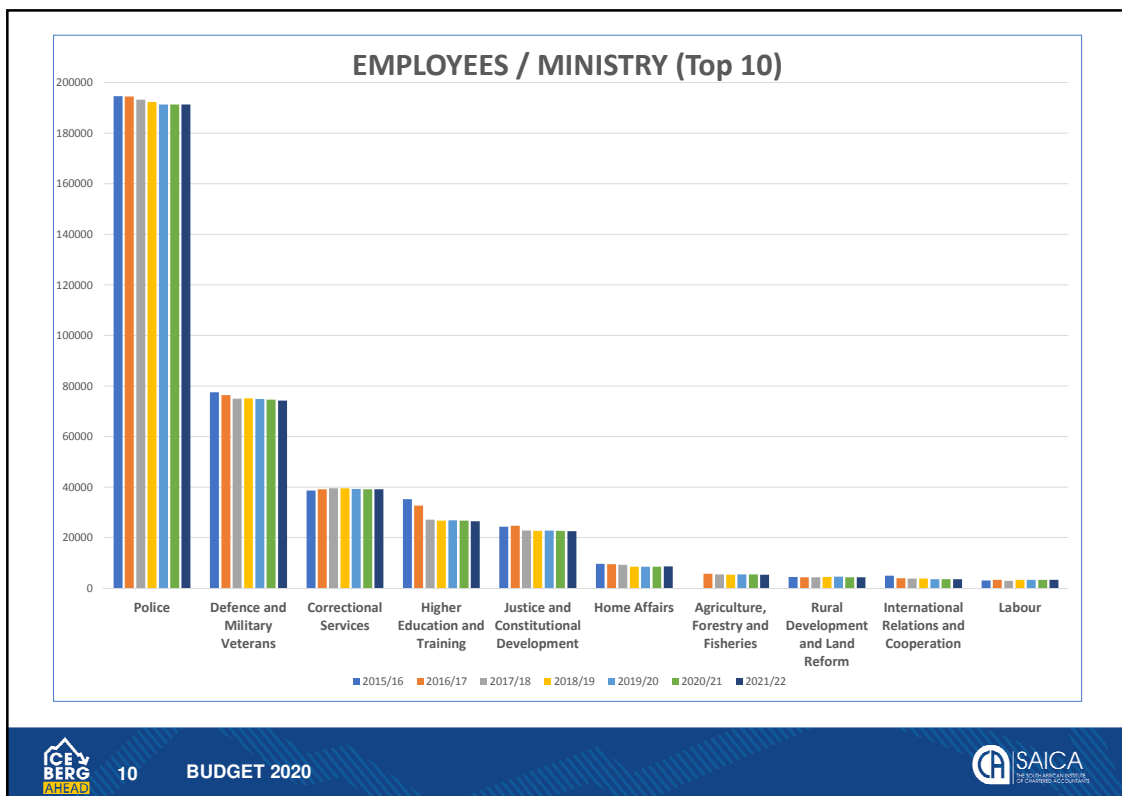
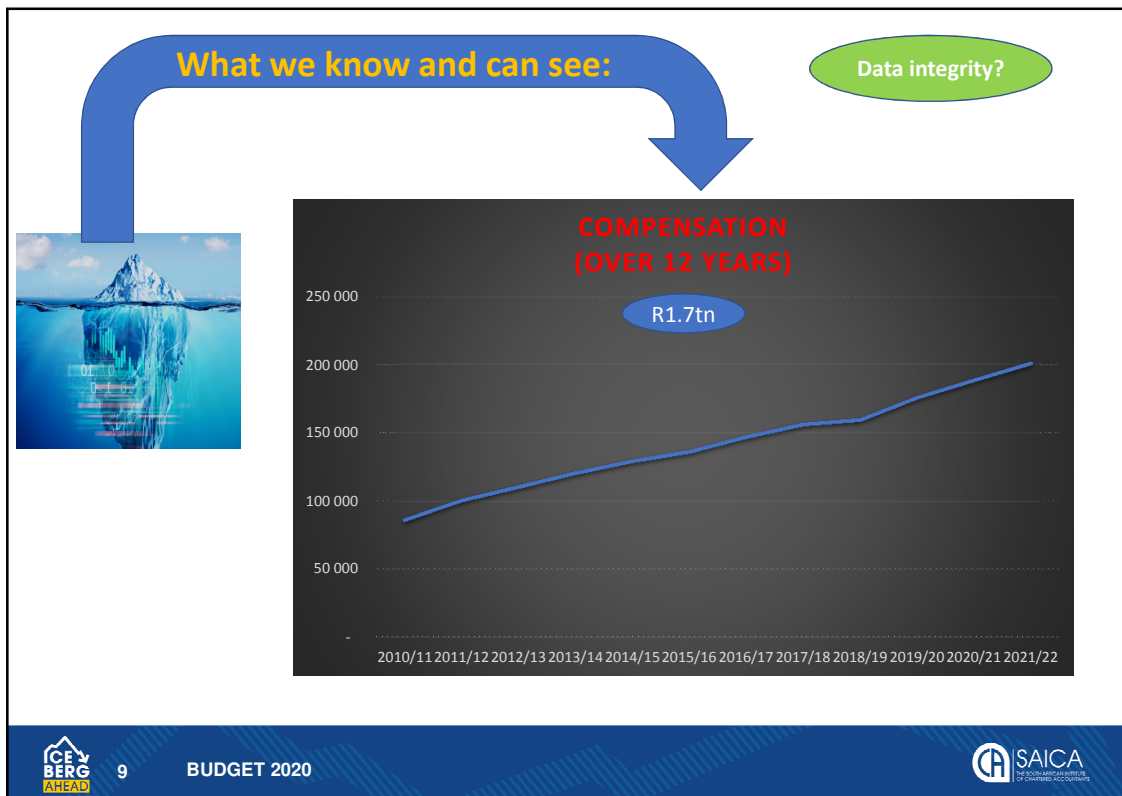
South Africa in recession after shock economic slump

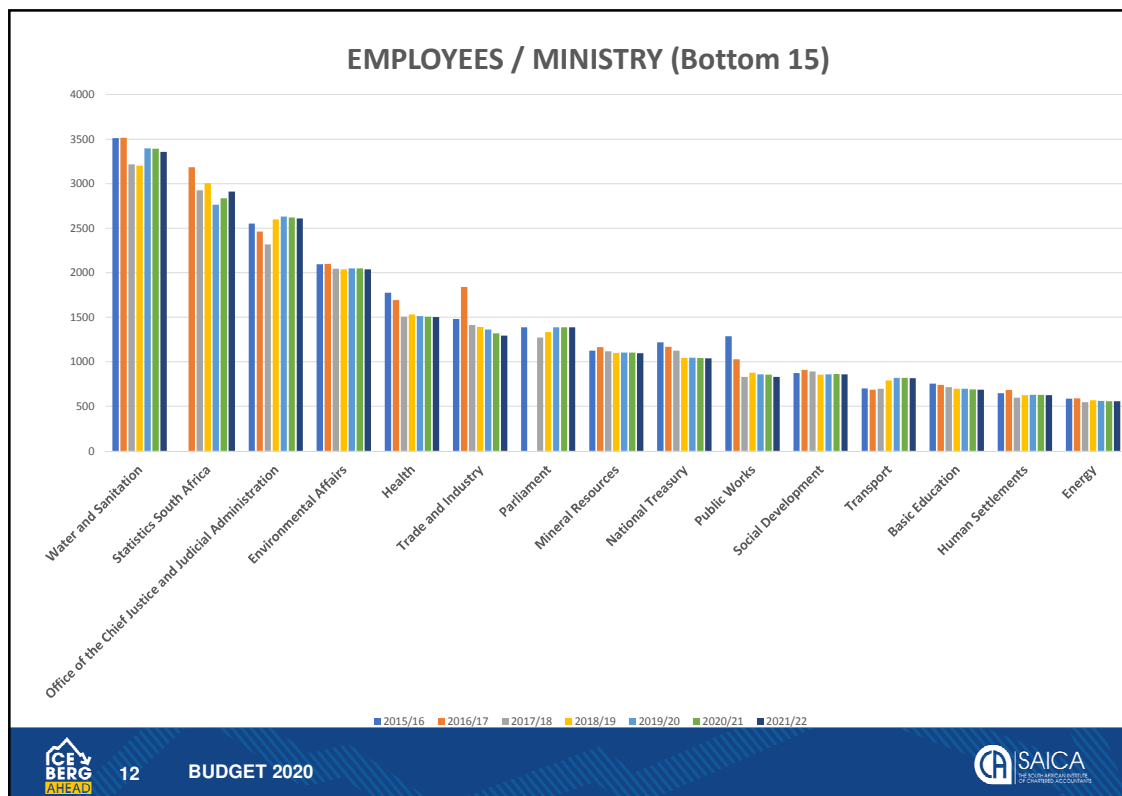
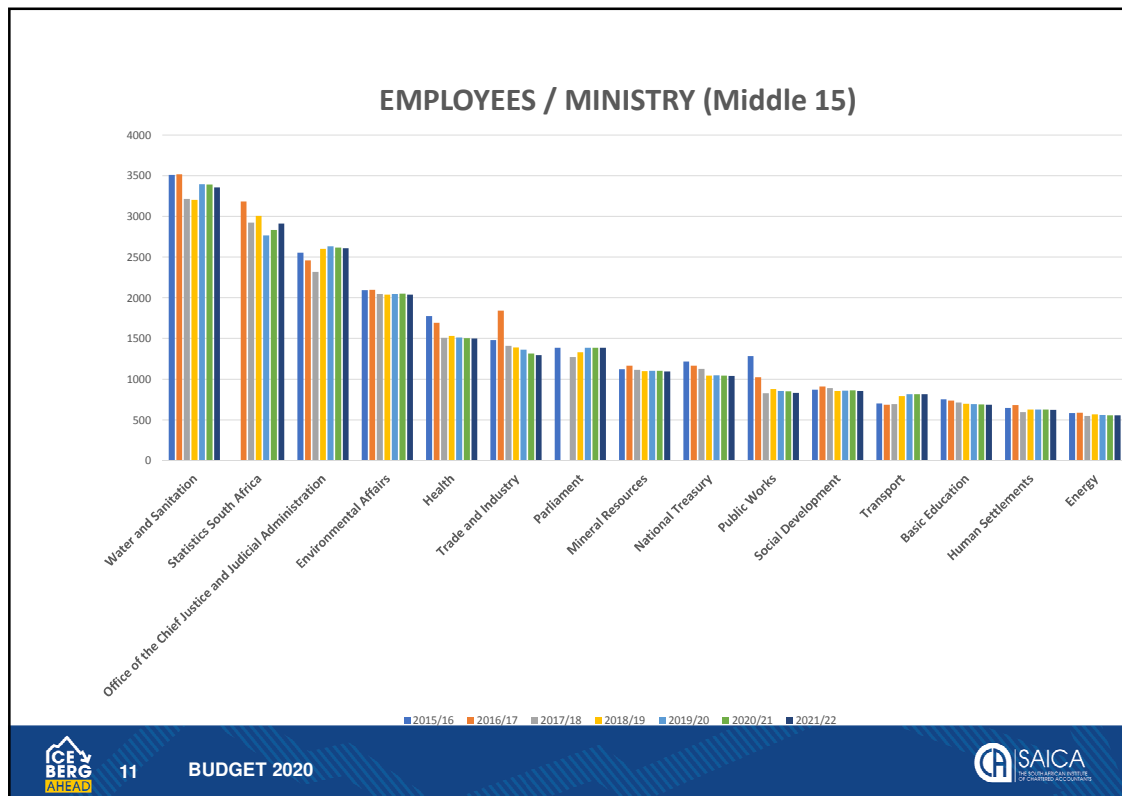
Fin24

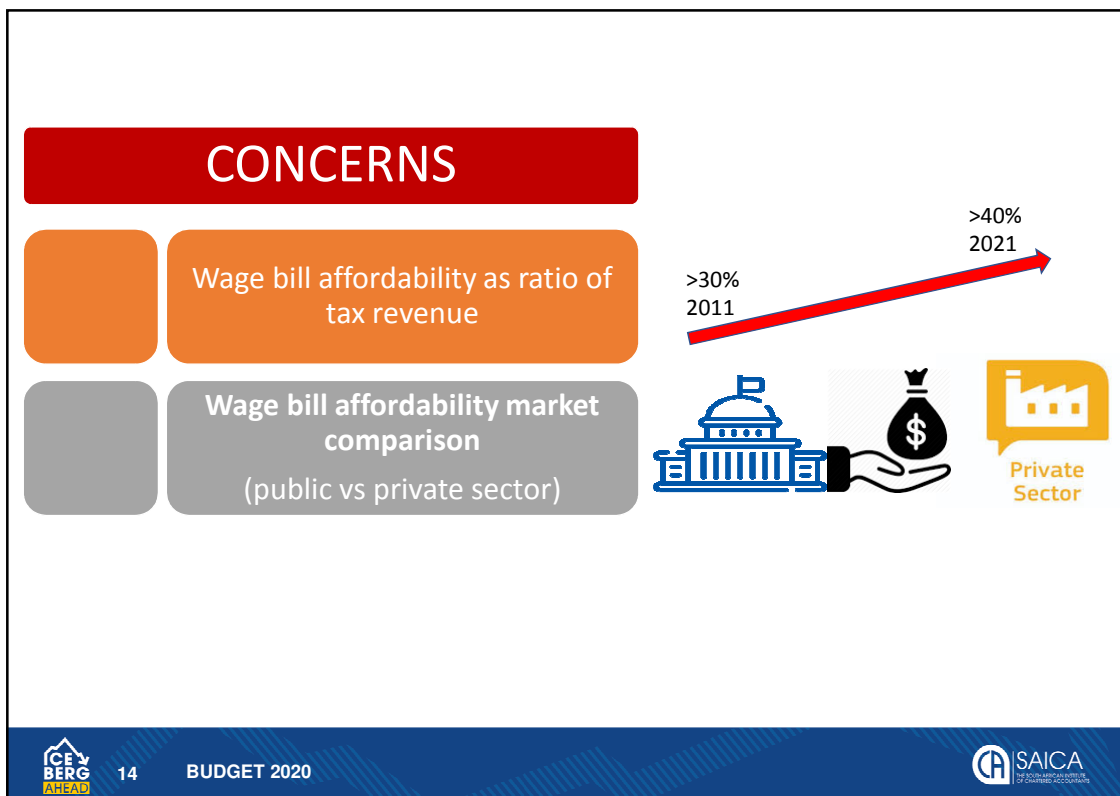

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DO WE UNDERSTAND OUR WAGE SPENDING?







Public vs Private sector salaries

	2018/19	2019/20
National Government Avg salary – p/a	R595 000	R642 000
Avg salary – p/m	R 49 551	R 53 464
Private sector Avg salary – p/m	R 22 358	

Table O : Estimates of average monthly earnings, including bonuses and overtime payments, at current prices, by industry within 95% confidence limits

Industry	May 2019				August 2019			
	RSE	Lower limit	Estimate	Upper limit	RSE	Lower limit	Estimate	Upper limit
Mining and quarrying**	0.0	25 042	25 042	25 042	0.0	26 967	26 967	26 967
Manufacturing	1.1	18 446	18 844	19 242	1.2	18 670	19 122	19 574
Electricity, gas and water supply	1.2	42 164	43 202	44 240	1.2	42 481	43 481	44 481
Construction	3.5	15 658	16 809	17 960	3.2	15 756	16 804	17 852
Wholesale and retail; repair of motor vehicles, motor cycles and personal and household goods; hotels and restaurants	1.5	13 874	14 301	14 728	1.6	13 830	14 277	14 724
Transport, storage and communication	1.6	24 810	25 608	26 406	1.6	24 714	25 535	26 356
Financial intermediation, insurance, real estate and business services	2.5	22 696	23 845	24 994	2.5	22 972	24 148	25 324
Community, social and personal services	1.7	24 624	25 461	26 298	1.7	26 303	27 232	28 161
Total	0.9	21 041	21 414	21 787	0.9	21 574	21 966	22 358

*Revised estimates.

**Data obtained from the Department of Mineral Resources (See explanatory notes).

Source: Stats SA
Quarterly
Employment Statistics
– Sept 2019

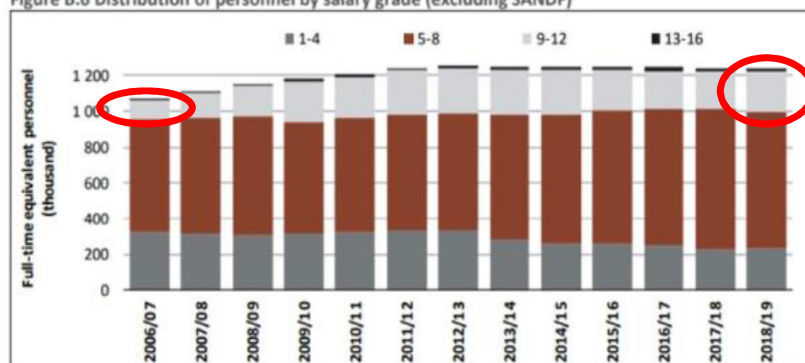


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Figure B.6 Distribution of personnel by salary grade (excluding SANDF)



Source: National Treasury (PERSAL data)



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WHO DOES PARLIAMENT HOLD ACCOUNTABLE FOR THIS?

Auditor General 2016 Annual Report

"As long as the political leadership, senior management and officials do not make accountability for transgressions a priority, irregular, unauthorised and fruitless and wasteful expenditure as well as fraud and misconduct will continue. An environment that is weak on consequence management is prone to corruption and fraud, and the country cannot allow money intended to serve the people to be lost. There was little improvement over the four years in the internal controls at auditees in the key areas of leadership, financial and performance management, and governance."

CONCERNS

Wage Bill: Value for money?
(overworked vs productivity)



CONCERNS

Wage Bill - Value for money?
(overworked vs productivity)



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NEWS

SA teacher absenteeism rises from 8% to 10% daily

Publicist.com (p) 2019

Almost 4000 pit latrines in SA's schools, zero target set 'within the next 3 years'

2019-03-11 13:19

Kamva Somdyala

news24
Enabling News, Now



Jobs-for-pals: More than 2400 appointed without being qualified

Paddy Harper

© 2015-08-09 16:35

SOUTH AFRICA

Read it and weep: SA kids struggle with literacy



DBE



LER:
1:35 (primary)
1: 37 (secondary)

Reality



LER:
1:54
1: 78

Why discrepancy?
Which schools have >/< 35 learners?

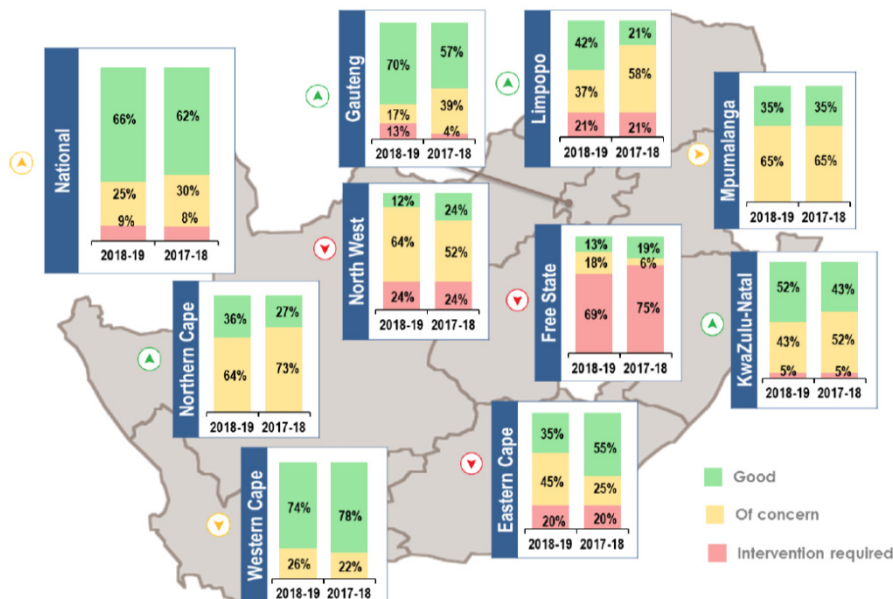


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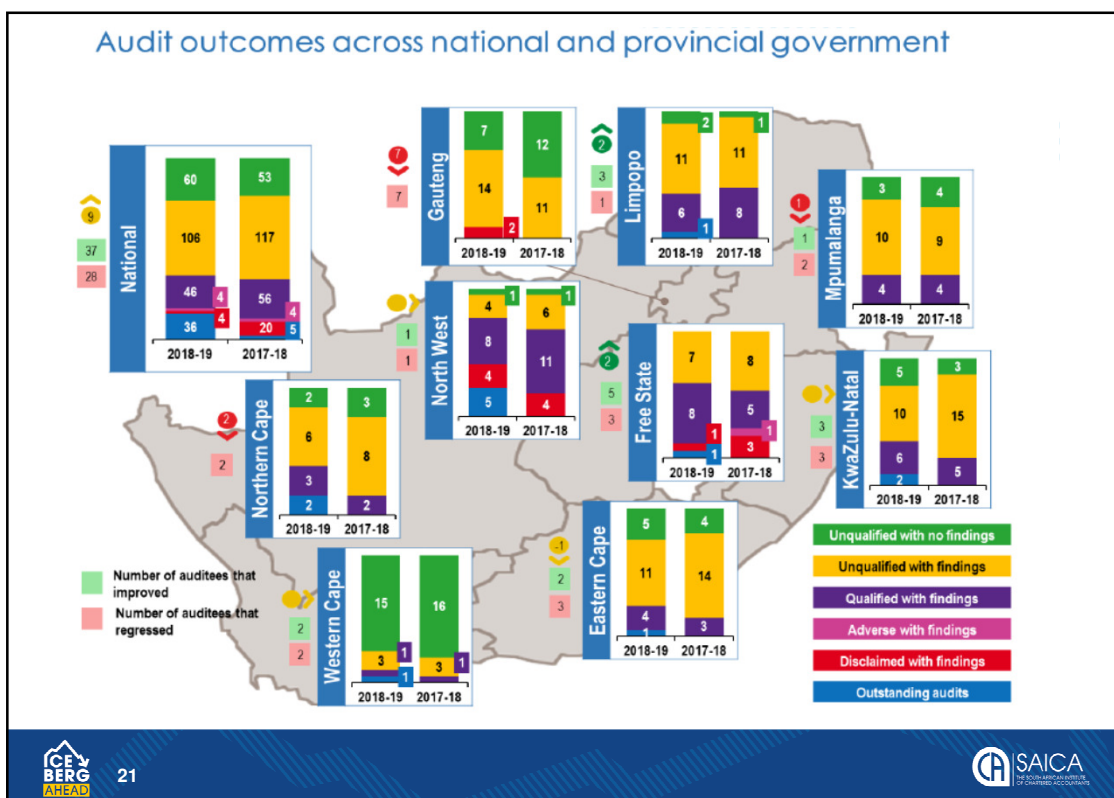
Auditor General Report

The graph below indicates national and provincial financial status movements:



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CONCERNS

Wage Bill value for money
(overworked vs productivity)

Service delivery/ Risk vs Salary

Recommendations:

Performance based appraisals & monitoring

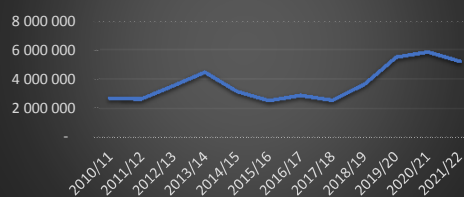
Transparent productivity enhancement plan

UNDERSTANDING WHAT GOVERNMENT SPENDS ON AND WHY?

OTHER EXPENDITURE:

CONSULTANTS (OVER 12 YEARS)

R45.3bn



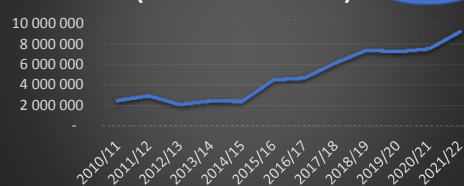
CONTRACTORS (OVER 12 YEARS)

R45.1bn



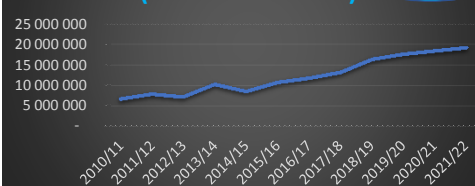
AGENCY & SUPPORT/OUTSOURCING (OVER 12 YEARS)

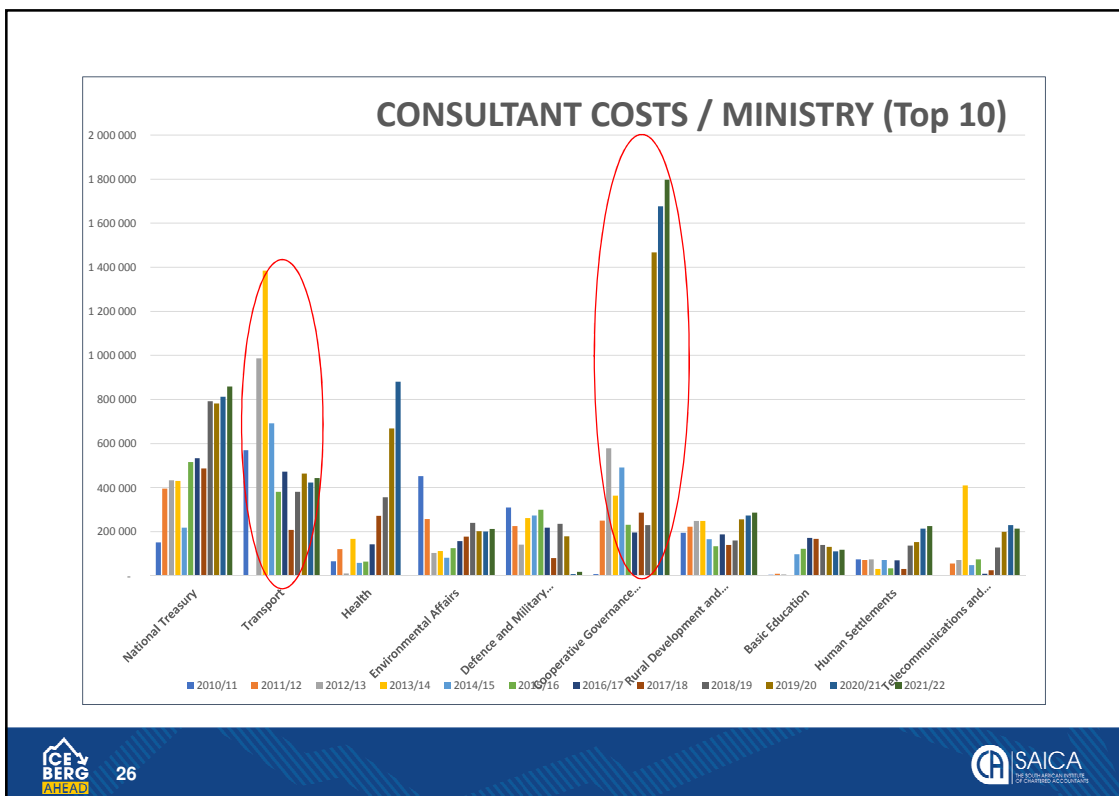
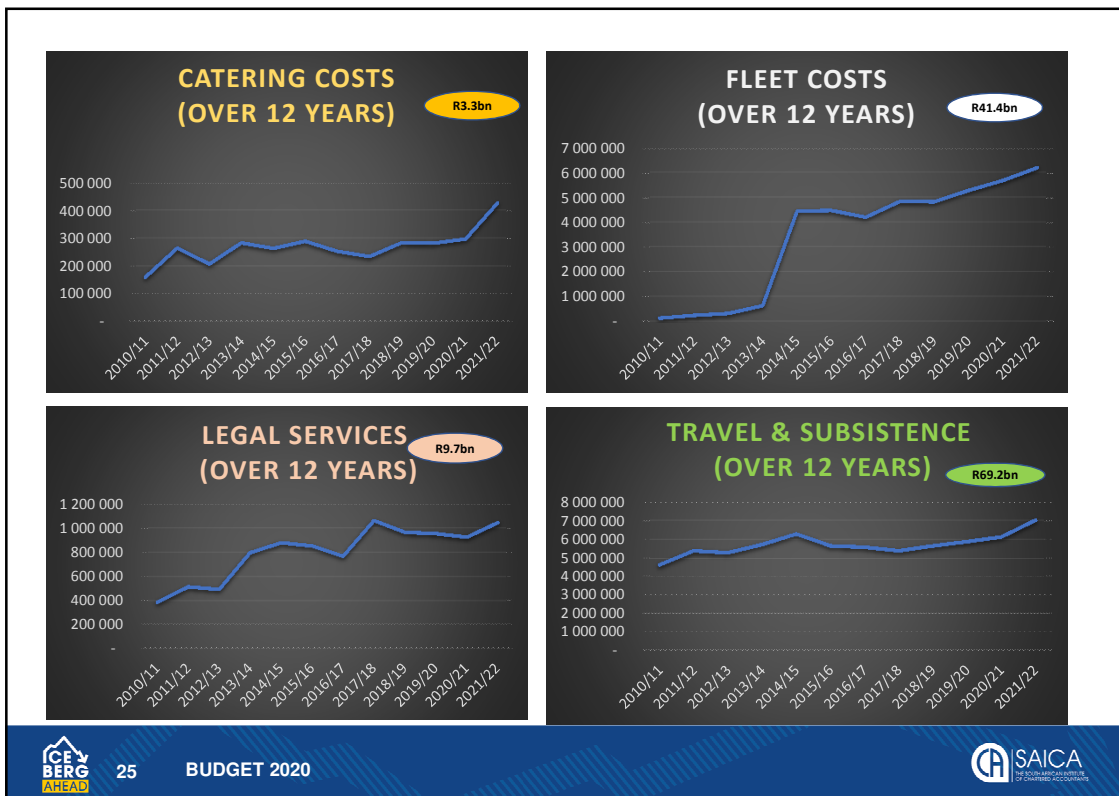
R60bn



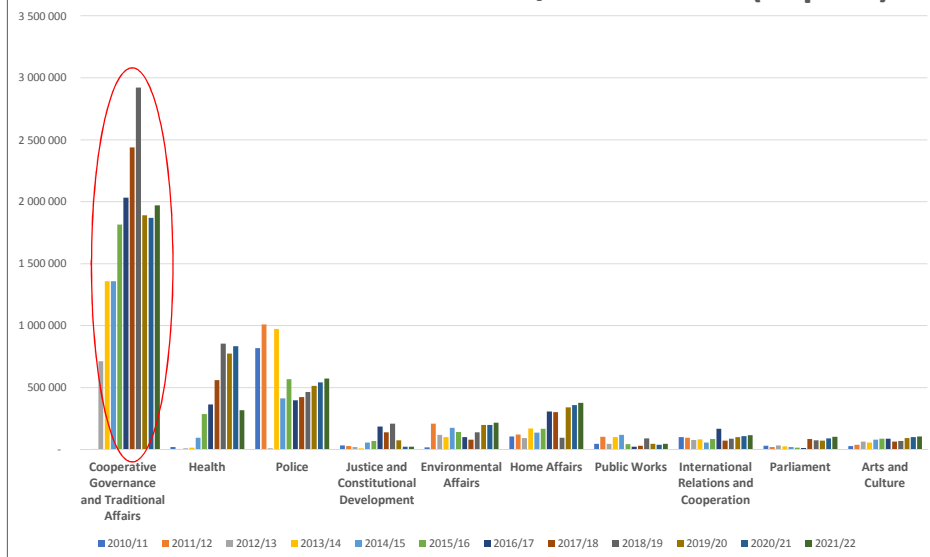
CONTRACTOR/CONSULTANT/ OUTSOURCING (OVER 12 YEARS)

R150.4bn

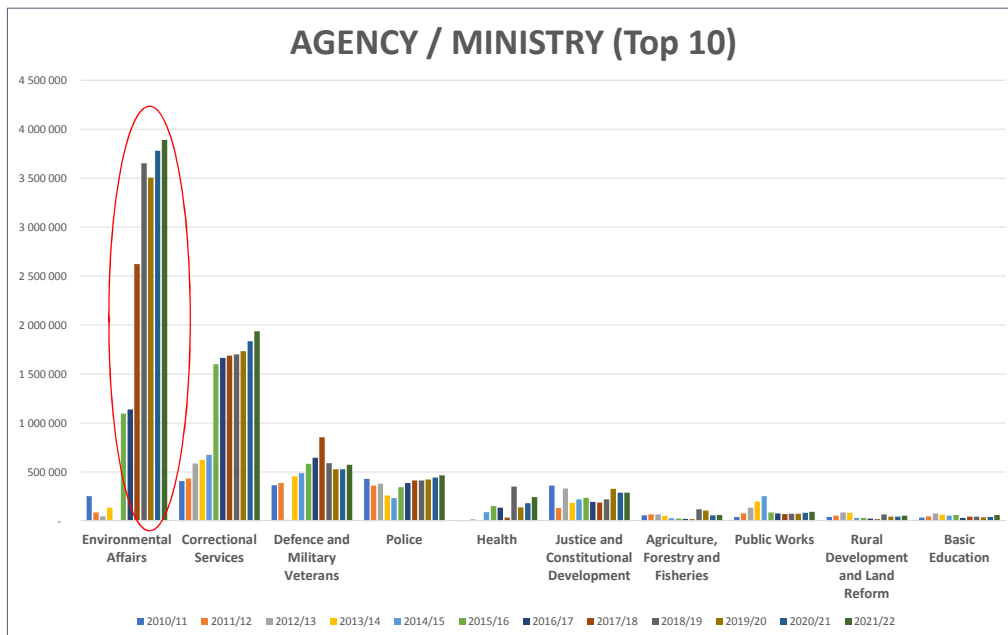


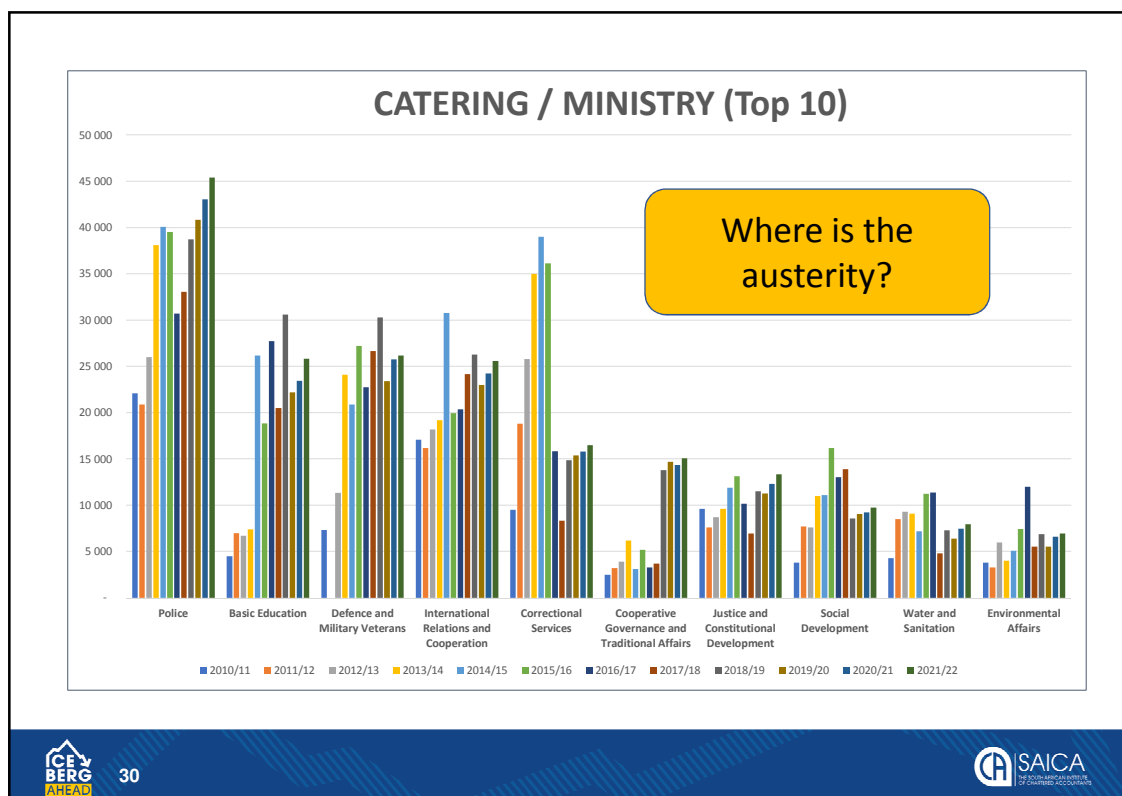
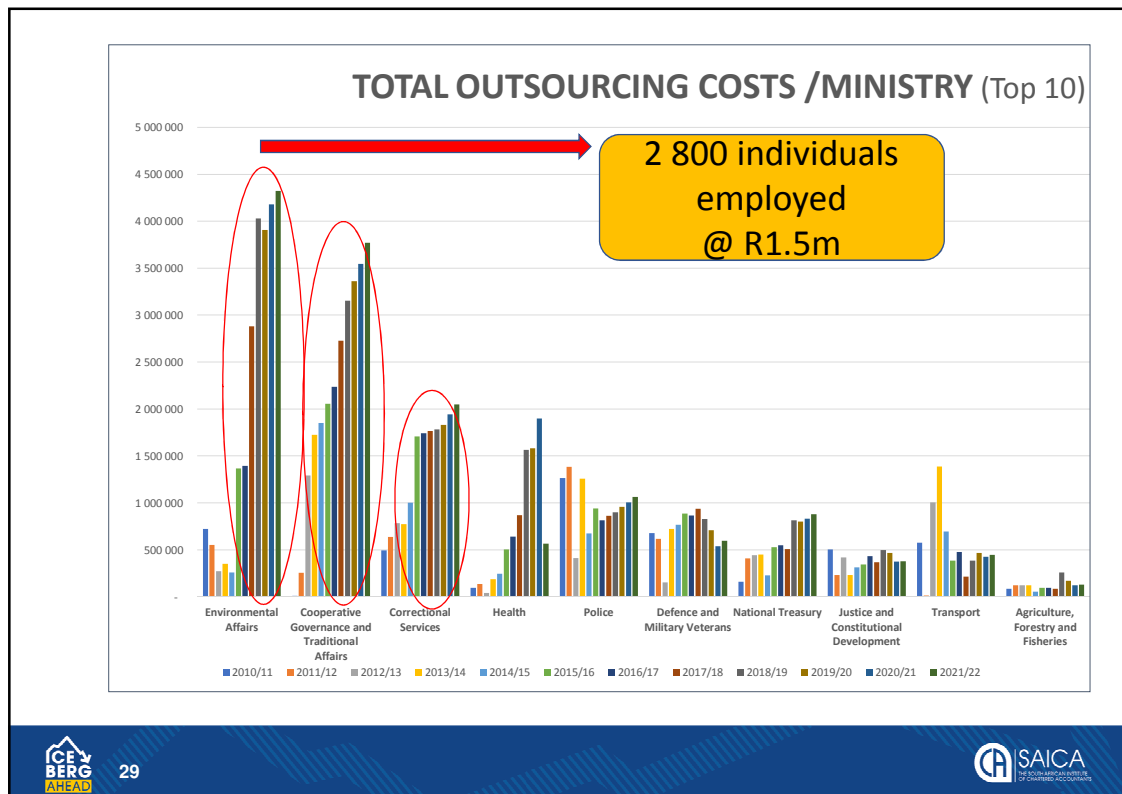


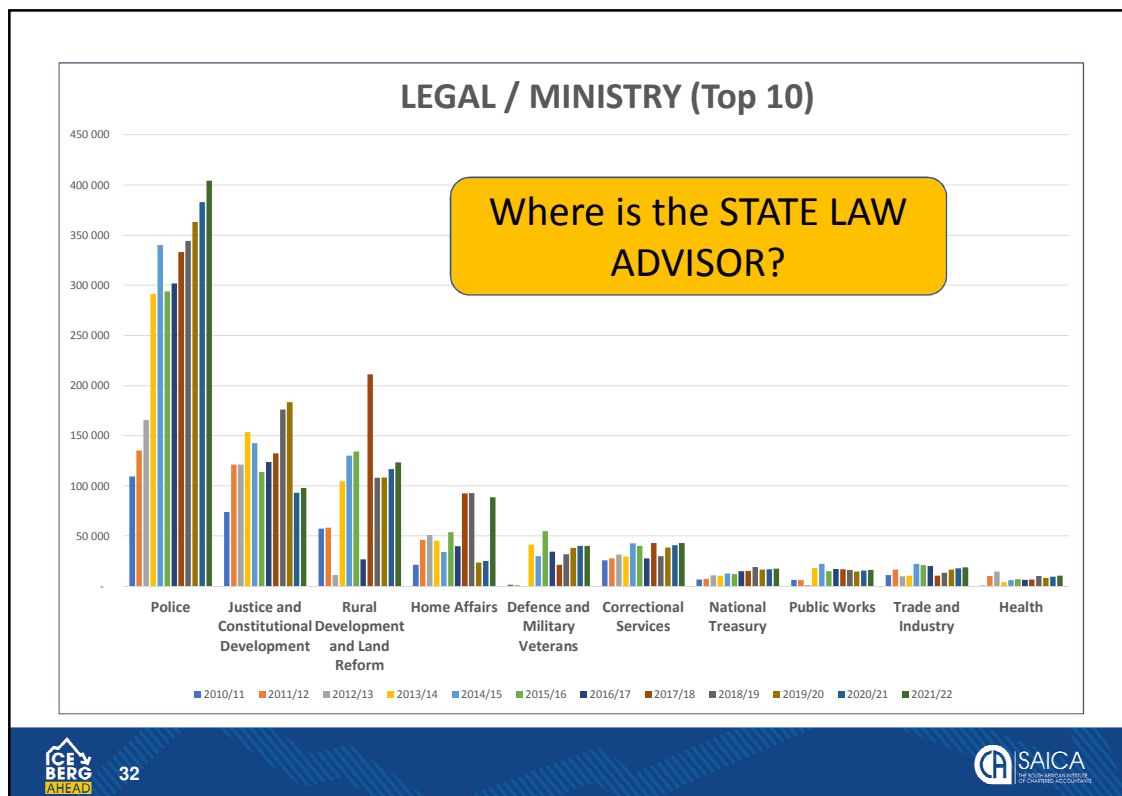
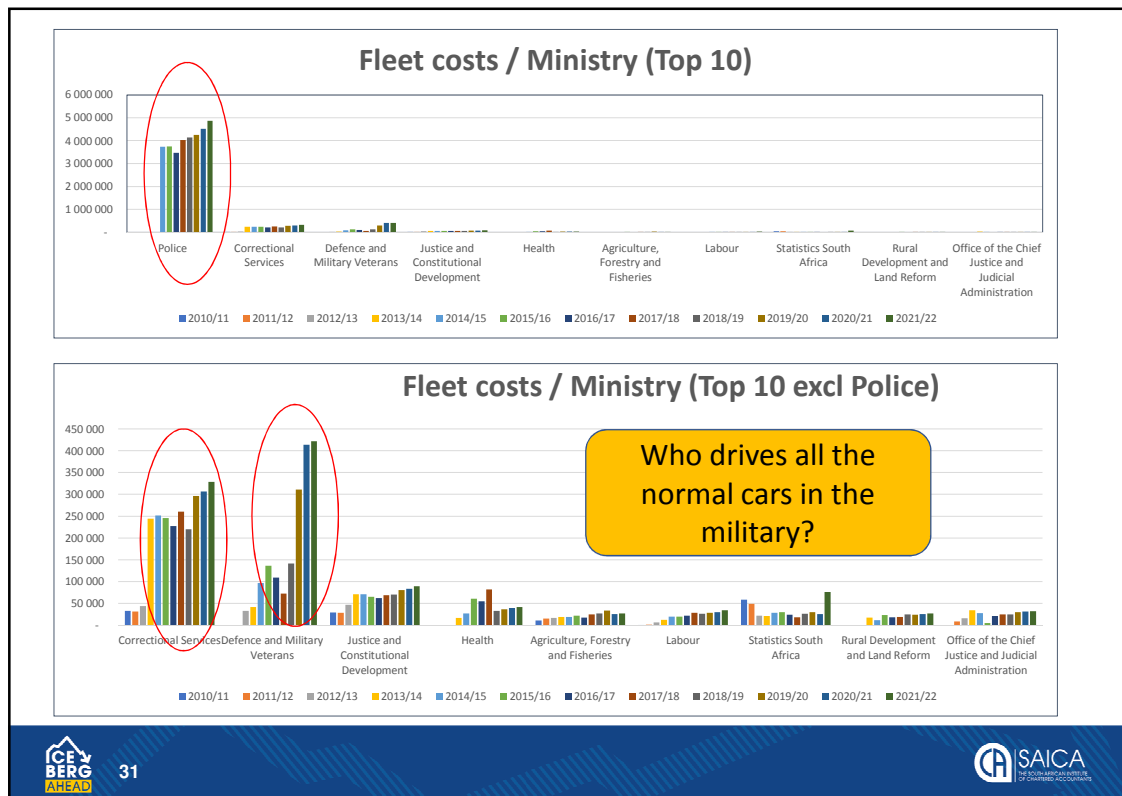
CONTRACTOR COSTS / MINISTRY (Top 10)

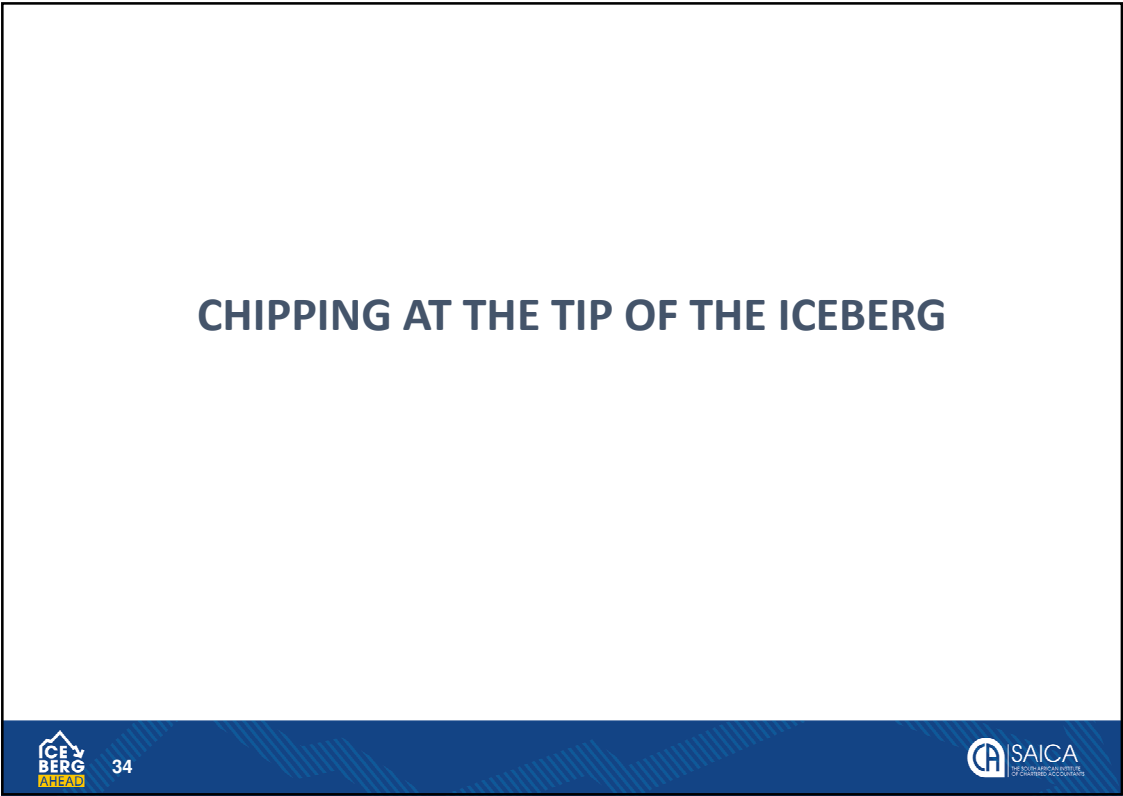
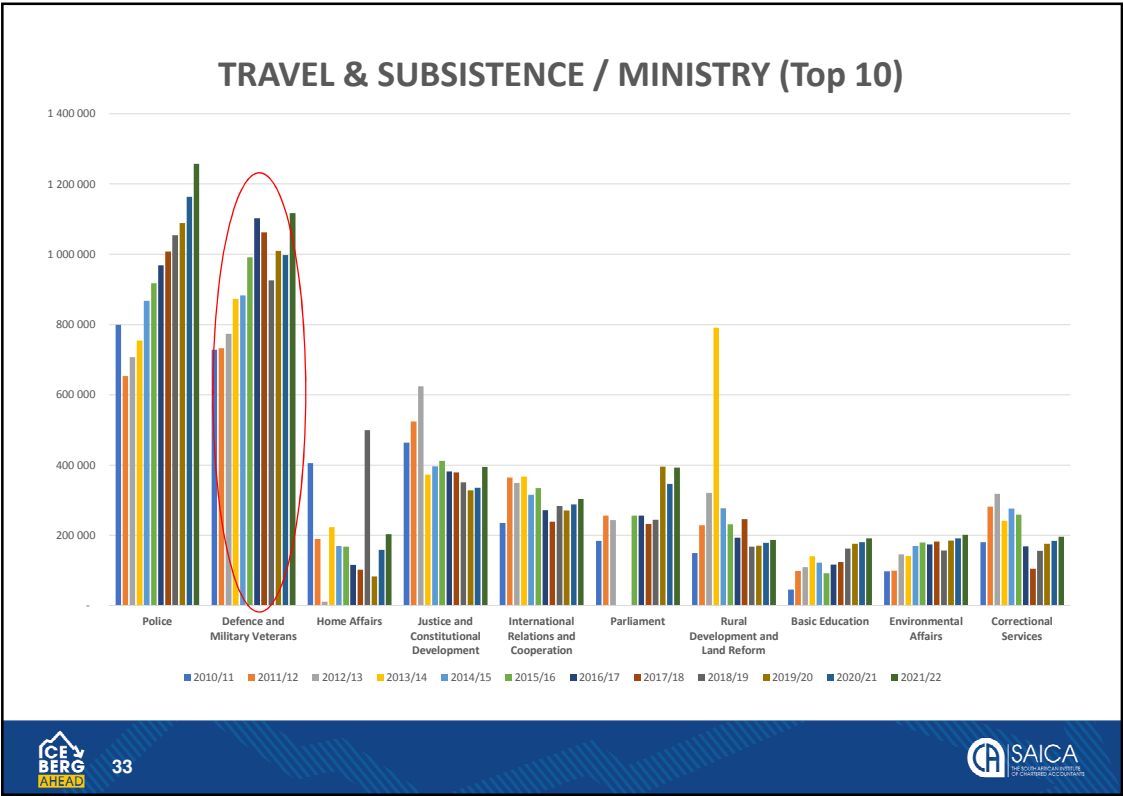


AGENCY / MINISTRY (Top 10)







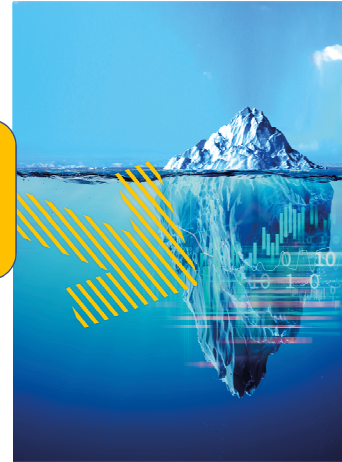


ICEBERG		2019/20 Rbn
Budget deficit		326
Reduce with:		(56.5)
Fruitless & wasteful expenditure		(0.8)
Unauthorised exp		(1.4)
Outsourcing	(50%)	(8.9)
Catering	(50%)	(1.4)
Fleet services	(50%)	(2.6)
Legal fees	(50%)	(0.5)
Travel & Subsistence	(50%)	(2.9)
SALARIES (4% vs 7% increase)		(11.0)
Medical tax credits		(27)
Costs to still reduce/Income still to be collected		269.bn

Could have.....

Carry forwards:	
• Gambling Tax	
• Environmental Fiscal Reform Policy Paper	
• NHI Funding model	
• Certain section 10(1)(o)(ii) amendments	

What is part of the
iceberg can't we see?



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SS1

WHAT IS NEEDED?

Coherent
policy

Crime
solutions

Budget
oversight

Accountability

We've overcome obstacles before,
we can do it again!!!



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THANK YOU QUESTIONS?



Iceberg – what lies below?



Economic growth & policy certainty needed



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