



IT JUST DOESN'T MAKE SENSE!

It's all about "human resources" in South Africa, declares Sunday Times columnist Hillary Joffe. (25.10.20). (Or "capacity", as the ANC calls it!) This is a truism acknowledged by many for hundreds of years in this part of the world. Under the ANC government, cadre deployment in the state's civil service has been arguably the single most irrefutable reason why South Africa is on its knees. These "human resources" were in the main hopelessly unqualified for the jobs they were supposed to perform. Jobs for pals was the name of the game as thousands of whites were retrenched or resigned and South Africa's reputation as a first world functioning state went down the rate hole of ANC obtuseness. President Ramaphosa was there from the beginning. He was part of the ANC's post-1994 "clean sweep" and it is abundantly clear that neither he nor the country's ruling party knew anything about how a modern first world economy functions. Why would they know, given their history?

It is in this context that one must judge the president's recently-unveiled "rescue plan" for the economy. Has the irony escaped him that it was under his party's watch that the economy collapsed in the first place? It is now to be rescued by the same government that destroyed it! But no mind: logic and reasoning have had little place in the thinking processes of the various ANC presidents since 1994.

It is truly baffling that the president can present his plan with a straight face. He has conveniently focused on the "corona virus" as a main contender for the country's parlous economic state when it is widely acknowledged that the SA economy has been in ICU for years. His plan targets an average annual growth rate of 3% over the next ten years. He is committed to reining in "runaway debt and spending". The government will spend R100 billion on infrastructure, on which he expects to attract a further R1 trillion of private investment within four years! He says "measures would be taken" to stabilise the loss-making state power facility Eskom but true to form, he has provided no details of how the SOE's crippling debt of R488 billion will be brought under control.

Almost R14 billion will be spent on creating 800 000 jobs and “opportunities” in the current fiscal year, which ends on 31 March 2021, and grants will be allocated to 75 000 small-scale farmers. More than 60 000 road construction jobs will also be created, says the president, while an additional 6 000 community health workers and nursing assistants will be hired. The president is committed to tackling corruption and to making it easier to secure mining and other licences, we are told. The list of plans and promises is mouth watering in its ambition, but we have heard this all before. The ANC is big on promises – remember ex-president Jacob Zuma’s boast of one million jobs in five years while he visited the Alexandra township in Gauteng some years ago?

Rooting out corruption is like changing DNA. One cannot. It is so deep-rooted within the psyche of so many ANC officials that it is strange to find anyone who can actually resist dipping into the cookie jar. There are many good people including those within the investigative arms of the government who work tirelessly to bring the army of official crooks to justice. But this is a drop in the bucket in the grand scheme of things. Some of the crooks have been jailed, but not many. The big fish are still cruising the pond.

AN ABYSS

We have reached an economic bottomless pit say the experts. A Fiscal Abyss Study Group (FASG) has declared to the parliamentary portfolio committee on finance that the feared fiscal “point of no return” is upon us. We are standing on the edge of an abyss, says the FASG. (Beeld 5.11.20). This is evidenced by the recent medium term budget framework presented by the minister of finance Tito Mboweni. South Africa’s spending on welfare, civil servants’ salaries and interest on the country’s debt equals the country’s total income. South Africa’s sharp decrease in tax income due to the recent Covid 19 pandemic has brought this bottomless pit scenario closer to home. It is now at the front door.

This crisis was predicted as far back as 2014, declared FASG. The current predicament is so unexpectedly devastating that only a strong economic growth over the next few years can salvage the country from bankruptcy. But economic growth is a pipe dream. Sharp cuts to budgets are now inevitable because there has been no planning for a rainy day. Budgets were expanded over the past ten years instead of being pruned. Compared to other “emerging” economies (before the ANC takeover, SA was called a developed country), the average debt to Gross Domestic Product (GDP) ratio for these economies is around 60%, while SA’s is over 80% and on the way to 95%. This year South Africa will shoulder a R400 billion debt. At the end of October, 21

cents of every taxpayer's rand will go to settling this huge debt. In February the figure was only 15%. So this statistic has grown fifty percent in less than a year!

One crucial financial blunder that has proceeded uncontrolled over the past decade is the yearly increase in government employee salaries. This figure represented 46% of all taxes collected in the 2019/20 tax year. These wages must now be frozen, suggested Mr. Mboweni in his budget. Did he reckon with the ubiquitous trade unions and their inevitable court action on what they see as yet another infringement of their rights? FASC member and Unisa senior lecturer in economics Fanie Joubert reminded the parliamentary committee of the minister of finance's warning about a looming debt crisis. It is becoming more difficult for SA to borrow. Our record of fiscal prudence is poor.

So given the huge chasm between the FASG scenario and Mr. Ramaphosa's promises, who will blink first? Front page pledges and promises differ hugely from financial page realities. There is no sense in Mr. Ramaphosa's prognostications. They are just words! There is simply no money to fund the president's schemes. He talks of a R1 trillion private investment within four years. But who will invest in a country where the unions control the work force, where legalised theft allows black economic passengers to obtain hefty percentages of businesses to which they have contributed nothing, and where, according to Moody's rating agency, the country's burden of debt can never be significantly decreased within the five-year period outlined in the budget. Moody's calls this scenario "optimistic". They are kind. It is an impossibility.

Moody's senior credit official has declared that the SA government has not pin-pointed exactly what policy decisions will be taken to grow the economy enough to implement this debt payback. This same problem came up in last year's budget, says Moody's. Not enough is being done, they say. All they see, given the government's behaviour over the year, is an increase in the country's debt. The devil is always in the detail when it comes to government pronouncements. The president is big on talk but nowhere to be found on action.

ESKOM

Then there's the elephant in the room, Eskom. Its shadow looms large over any discussion on how South Africa can lift itself from its staggering debt. Losses for the year to the end of March 2021 can reach R26 billion, says Calib Cassim, financial head of Eskom. This is despite a state injection of R56 billion and higher tariffs granted. In essence, Eskom will need R1 billion in government assistance PER WEEK in the 2021 book year. Eskom is totally bankrupt if the state

discontinues to financially assist for as long as need be. Money which municipalities owe Eskom increased in the book year ending March 2021 by 41%, to R28 billion. Who will pay this? Many township residents continue to resist paying (did they ever pay?) because politicians with no brains promised them free electricity in order to win votes. In addition there has been an increase in theft of power, illegal connections, vandalism and even threats against Eskom workers sent out to try and put some order into the spider webs of township electrical connections.

The need for maintenance is too ephemeral for government thinking. They use something until it collapses. Mr. Ramaphosa's budgets almost invariably contain huge amount of money for "restoration and repair of the country's infrastructure" which infrastructure was systematically allowed to disintegrate while he was a member of the ANC. Eskom's chickens have come home to roost according to Andre de Ruyter, executive head of Eskom. "The median age of power stations is 39 years, and the harder they are pushed to work, the easier they are to break". All those years when one of the world's most inexpensive and functioning power suppliers Eskom was driven into the ground by ignorance and neglect by the ruling party, not one of them lifted a finger to allay the destruction, despite warnings from other political parties and citizen groups.

THE LAND BANK

The minister of finance announced more support for the Land Bank despite a recent R3 billion injection that achieved virtually nothing. No funds were channelled to farmers for their input costs, as promised. "The agricultural sector needs R10 billion now to start the next production season", says Louis Geldenhuys, TLU SA president, "but we are not convinced that the bank will be able to fulfil that role timeously ". Funds allocated for drought relief some time ago have still not been paid to farmers in full.

We are in for a torrid time. Debt eats up to 60% of citizens' salaries. Corruption is still in full swing, with arrogant witnesses treating the Zondo commission on corruption with abject contempt. The chances of competent people being appointed to government and municipal posts are nil – advertisements for positions still clearly reject white applicants. The president speaks with forked tongue – in May 2019 he declared that it is wrong that work seekers must be asked to give their race when completing employment forms. "This practice from the past must be wiped out" declared President Ramaphosa. This says it all! Who can believe anything he says? Maybe he likes to dream and scheme to make South Africa "a better place for all". But his actions belie his words. And it seems we are stuck with that reality!