

# STATEMENT BY CIVIL SOCIETY ORGANISATIONS ON THE INTEGRITY OF THE BUDGET PROCESS

FOR IMMEDIATE CIRCULATION

Undermining of the budget process and National Treasury threatens the stability of public finances and critical areas of government spending

The resignation of the Deputy Director-General of the Budget Office at National Treasury, Michael Sachs, is a further signal that the system of open, consultative and responsible decision-making - as required by our constitution - is being undermined. The deliberate weakening of state institutions and democratic processes, which we are in no doubt has extended to National Treasury, deepens concerns about policy uncertainty and fiscal management that is threatening South Africa's existing social spending, let alone its expansion.

This comes at a time of rising poverty and economic hardship for many South Africans and levels of unemployment not seen in fourteen years. If this situation is to be reversed, attempts must be resisted by failing and captured leaders to pull National Treasury into the downward spiral which has affected SARS, state-owned enterprises and other government institutions.

The recent Medium Term Budget Policy Statement (MTBPS) did not convincingly outline an agenda to effectively deal with current challenges. At the same time, it confirmed that shortfalls in revenue collection by SARS, economic recession and rising debt service costs may now put frontline service delivery at risk. For example, allocations to basic education have declined by R20 billion since the 2015 MTBPS, despite an upward revision in population estimates<sup>1</sup>. Of particular concern is the R50.8 billion revenue shortfall highlighted in the MTBPS, arising from, among other factors, anaemic economic growth, political instability, mismanagement of SARS and policy uncertainty.

In this context, we question the motives behind the Presidency's reported attempt to dramatically adjust the budget, through cuts in critical social spending, allegedly to finance free higher education for one year. While we support the project of making higher education accessible to all, we urge citizens and particularly students to consider the implications of this move, if short-term political expediency rather than sustainable economic planning and budgeting is driving it forward.

As civil society organisations (CSOs) and individuals working for social justice and better access to quality social services, we have on many occasions disagreed with decisions of the National Treasury. Indeed, a number of CSOs were at the forefront of opposition to Treasury-led economic policies, such as the Growth Employment and Redistribution (GEAR) policy.

Importantly, and irrespective of the merits and criticisms of budget allocations, Treasury has followed a specified procedure in the implementation of the budget, which includes ensuring that the budget is spent as planned and holding departments to account when it is not. Diverting budget allocations outside of the established processes opens the gate for arbitrary and irregular reallocations in the future. The resulting policy uncertainty, with its negative impact on the economy and fiscal framework, alongside actual reallocation (some reports indicated that funds would be shifted from housing and social grants to higher education), put the sustainability of social spending at risk.

The Presidency's attempts to by-pass the established budgeting process have created an untenable situation

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<sup>1</sup> PSAM, EE, SPII, NSMS, Section27, HBF. Submission on the 2017 MTBPS to the Joint Committee on Appropriations and Select Committee on Appropriations. 2017.

which undermines the role played by experienced officials like Sachs in promoting transparent budget processes and mediating between the competing interests that want to take their share of the budget. It is this procedural undermining of the budget that led to Sachs' resignation. Access to the public purse cannot be a free for all in which those with the most power simply take without regard for costs or consequences. It is this kind of approach that opens the doors to disastrous moves to indebt future generations through massive, behind-doors procurement of nuclear power, for example.

In this regard, the National Development Plan cautioned against a hasty decision on nuclear build. [Business](#), [civil society](#), [state research bodies](#) and [advisory bodies](#), [academia](#) and [labour](#) have all questioned the necessity and desirability of nuclear energy expansion. Three finance ministers, including the [current](#) minister, have indicated that the plan is unaffordable. On April 26<sup>th</sup> 2017 the Western Cape High Court [ruled](#) that government's Nuclear Procurement Programme was unlawful, non-transparent and unaccountable. Despite these vociferous rejections, the President and his closest political allies continue insisting on proceeding, with Minister Mahlobo committing to shortening the consultative process on the energy mix from a few months to a few weeks.

Allegations and evidence of the 'capture' of SARS, criminal justice and security agencies as well as SOEs mount on a daily basis. While the need to be seen to be 'doing something' about higher education funding is being used to justify the current interference in the budget process, the presidency's intrusion cannot be seen as divorced from this context.

Importantly, and irrespective of the merits and criticisms of budget allocations, Treasury was and should remain ultimately responsible for a thorough budget process that avoids rushed budget adjustments. The emphasis should remain on ensuring that budgets and plans are well crafted, that they promote accountability and are respectful of services that rightly prioritize communities in greatest need of support by the State.

Civil society organisations thus call on the Presidency to:

- Reaffirm the central, legislated role that Treasury plays in the budget process, balancing the wide range of demands on the public purse, especially at this time of economic and fiscal crisis.
- Immediately release the 'Mandate Paper' that purportedly envisions a different budget process in which the Department of Planning, Monitoring and Evaluation (DPME) is central.
- Undertake to subject all major policy proposals, such as for funding higher education, to the rigour and consultation required of SA's budget process.
- Provide full details of the President's proposals for higher education funding and the process that is envisaged for putting those proposals into action, including opportunities for the public and the student movements to provide input into that process.
- Commit to working constructively with Treasury, and other important economic Ministries, to restore confidence in the state's capacity to reverse the current dire economic and fiscal situation.

We also call on Parliament to:

- Investigate the circumstances behind the growing number of senior officials that have resigned from National Treasury and closely monitor the filling of existing vacancies.
- Show its support for credible and sustainable budget processes, including by using its powers under the Money Bills Amendment Act to reject any new proposals that emanate from the undermining of that process.
- Support National Treasury, and other relevant agencies, in their investigation into the mismanagement and failures at SARS which have led to the largest revenue shortfalls in decades.

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## Organisational endorsements:



## Individual endorsements:

Adam Seymour | Aninka Claassens | Annalene Sadie | Bill & Phyll Spooner Boniswa Kamba | Brian Watermeyer | Carol Bower | Cheryl Walker | Christine M. Mosala | Colleen Rogers | Debbie Budlender | Doron Isaacs | Elsbeth Engelbrecht | Gilad Isaacs | Giselle Warton | Hein Viljoen | Henk Smith | Jackie Dugard | Jacques Zakarian | Jennifer Thorpe | Jongikaya Vika | Julie Todd | Kamraj Anirudhra | Keith Breckenridge | Kirsty Bobrow | Laura Pienaar | Leslie Liddell | Makale Ngwenya Marike Keller | Mark Povall | Michael Hands | Michael Watermeyer | Mike Batley Myburgh Brink | Myra Taylor | Nelie Erasmus | Nick Taylor | Nicola Deghaye Nokubonga Mathole | Nonhlanhla Mkhize | Professor Haroon Bhorat | Salomé Meyer | Sandra Cloete | Sonja Bailey | Thamsanqa Robert Ncube | Yolanda Brown

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