The Banking Association's key Budget proposals – IOL 25 February 2020

JOHANNESBURG - Key considerations proposed by the Banking Association of South Africa (Basa) for the 2020 Budget, include:

A clear and sustainable plan to deal with the operational and financial crisis at Eskom, which is an immediate threat to the fiscus and the economy.

Creating an environment to grow existing and new businesses to broaden the corporate tax base and increase employment. The National Treasury's policy paper on Economic Transformation, Inclusive Growth and Competitiveness sets out the microeconomic reforms needed to boost growth. Endorsed by the president, ministers need to be held accountable for the urgent implementation of its recommendations.

A reduction in the public sector wage bill and ensuring future increases are within inflation targets. The creation of a "fit for purpose" public service will ensure that resources are directed to improving people's lives through the efficient and "caring" delivery of basic services to those that need them.

The Auditor-General has estimated that for the 2018/19 year alone, reported irregular expenditure was as much as R61.35billion. Reducing this will help meet the target of R150bn in savings over the next three years. The appropriate law enforcement agencies need to pursue the recovery of funds lost to "state capture" with urgency. If these resources are recovered, there will be no need to put the savings and investments of South Africans at risk by using pension funds and prescribed assets to support state enterprises.

A modest increase in VAT, with a widening of the basket of exclusions to protect the poor, while unwelcome, may be the only way to increase tax revenues. South Africa's corporate tax rate is already among the highest in the world and already hard-pressed consumers cannot absorb an increase in personal income tax rates.

Stopping wastage of resources by ensuring there is no funding of vanity projects, including non-strategic and unsustainable state enterprises.

The president has committed the country to the creation of a State Bank, a Sovereign Wealth Fund and a National Health Insurance (NHI) system.

The intent behind these initiatives is laudable, but given the country's precarious financial position, at present, their implementation must be at a pace and scale to be determined by the available resources and national priorities. If these programmes are not implemented cautiously, and without proper social and economic impact assessments, the unintended consequences for the country may be dire.

Basa and its members accept that increased competition in the banking industry does benefit South Africans. However, competition in the banking industry is already fierce and four new banks have recently entered the South African market; 80percent of South African adults have access to a transactional bank account and banks are committed to meeting the transformation targets set out in the Financial Sector Code.

The Finance Minister has indicated that a State Bank would be a deposit-taking institution. As such, it must be regulated in the same manner as commercial banks, to protect the savings of its depositors. It makes no sense for the government to invest scarce resources, now, in a new institution for which there is no need and has no clear distinguishable advantage.