RESPONSE

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The Budget

When we consider the mismanagement and incompetence that have led to today's crisis in the Eurozone, with countries like Greece and Ireland on the brink of economic meltdown, and with no guarantee that sizeable economies like Italy and Spain will not also fail, it is appropriate to congratulate the finance minister, and the government in general, on another well-constructed and measured budget. It is especially encouraging to see that the budget deficit remains relatively low, as does the total debt to GDP ratio of around 44%. This kind of fiscal discipline has served us well, while its absence in so many developed economies has resulted in the present crisis.

By now we are used to budget speeches that are fairly predictable, if not dull, and which leave only heavy smokers and drinkers seriously downcast. As has become usual, there was some small relief for income-tax payers, which was – equally usually – more or less negated by increases in the fuel levy and the road accident fund levy, as well as a new withholding tax on dividends and an increase in capital-gains tax. All of this continues the gradual shift from direct to indirect taxes which has long been a feature of our budgets.

The announcement of massive infrastructure spending was no surprise. President Zuma made it clear in the State of the Nation address that this would be the centrepiece of government's plans to boost employment. Accordingly, over the next three years it is intended to spend R845 billion on capital projects in the energy (R300bn) and transport and logistics (R200bn) sectors. Linked to this is the promise of a less cumbersome regulatory regime for small businesses, which ought to allow them to benefit more from infrastructure spending. If these plans were to become a reality they would undoubtedly have a huge impact on unemployment, and thus on poverty and inequality.

Unfortunately, it is precisely in this regard that we come up against the greatest flaw in the whole budgetary landscape. Minister Gordhan himself identified the problem:

> *"In the past, spending has lagged behind plans. Our estimate is that in 2010/11, R178bn was spent out of a planned R260bn, or just 68%. We have to do better than that – state enterprises, municipalities and government departments all need to improve their planning and management of capital projects."*

The R82 billion that went unspent in 2010/11 is money that was essentially withheld from thousands upon thousands of unemployed labourers, artisans, small-business owners, technicians, drivers and machine operators, all of whom ought to have been hard at work on new roads, railway lines, energy projects and the like – if only government departments knew how to plan and manage projects properly.

We know that public-sector corruption is a serious problem, and that by diverting funds away from legitimate expenditure and into individual pockets it robs the poor; but the money lost to corruption does not come close to the 32% of capital expenditure lost to incompetence, bad planning, political infighting, cadre-deployment and third-rate management skills.

Elsewhere in his speech Mr Gordhan remarked that “no good project will be short of funding.” That strikes one as a metaphor for the country – South Africa is surely a ‘good project’ and it is by no means short of funding. This budget has shown once again that we have the money to address our needs, and that we know which needs should most urgently be addressed. What seems still to be missing, though, is the political will to put in place the right people to do the job of applying the money to the needs; and to get rid of those who cannot or will not do it. Unless that changes, we should not be surprised if unemployment continues to sit at one in four people, with its attendant poverty and inequality, no matter how many billions of Rands are allocated in budget speeches.

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