

Future-focused: budget speaks to jobs, youth, infrastructure and education

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Job creation, education and future stability were three major themes running through finance minister Pravin Gordhan's budget speech on Wednesday. Gordhan presented his plan for the continent's most important economy from parliament in Cape Town, opening with an acknowledgement of the need to address the priorities as laid out by President Jacob Zuma in the recent State of the Nation address.

"This Budget, Mister President, reflects the collective determination of the government to address with energy the challenges of creating jobs, reducing poverty, building infrastructure and expanding our economy," said Gordhan.

Job creation plans include a R5bn youth employment subsidy (in the form of tax credits) over the next three years. This in addition to the R9bn jobs fund.

Education accounts for the largest portion of the budget at 21%. "Including adjustments for the remuneration of teachers, a total of R24,3bn will be added to education and skills spending over the next three years, which rises from R190bn next year, to R215bn in 2013/14," he said.

The departments of police, justice and constitutional development, correctional services and the independent complaints directorate will benefit from R12,8bn in the 2011 budget.

"The budget provides R2,1bn for the increase in police personnel to 202 260 in 2013/14, from about 190 000 at present," said Gordhan.

Corruption and financial crimes also enjoyed a mention, with Gordhan, a former SARS commissioner, speaking directly to the issue of unpaid taxes: "As at the end January 2011, SARS had identified some 13000 vendors who have won state contracts and who owe taxes amounting to over R1bn," he said.

"We have a shared responsibility to prevent corruption and we call on all citizens to blow the whistle on corruption and to report any procurement irregularities to the relevant authorities."

Infrastructure will see an investment in excess of R800bn over the next three years. The investment will come from government and state-owned enterprises, and will take the form of new power stations, improvements to existing roads, as well as "new dams and water supply pipelines, rail and ports facilities, schools, hospitals and government buildings".

On the whole, analysts welcomed the budget.

Vestact's Sasha Naryshkine responded saying, "The only surprise coming out of this budget speech is that the deficit isn't narrowing as fast as it should. "One positive aspect of this budget is that roads and housing will be upgraded".

Craig Aitchison, managing director of Old Mutual Actuaries and Consultants, says there are several positive arising from the budget, particularly related to social security.

"It showed that government is thinking holistically about social security, and how various forms of social security such as retirement, social grants, NHI, UIF and the like form part of the broader picture. It gives some more clarity to the direction the government wants to take," he said.

"The moves to broaden the FSB and other financial services regulator authority and scope are positive," he continued.

The rand hit a three week high at R7,09 against the US dollar as investors responded to budget as outlined in the speech.

Gordhan also gave a nod to the legacy of former president Nelson Mandela, first referencing Mandela's autobiography saying "We have embarked on the long walk to economic freedom"; then ending his speech quoting Mandela:

"In judging our progress as individuals we tend to concentrate on external factors, such as one's social position, influence and popularity, wealth and standard of education... It is perfectly understandable if many people exert themselves mainly to achieve all these. But internal factors may be even more crucial...Honesty, sincerity, simplicity, humility, pure generosity, absence of vanity, readiness to serve others – qualities which are within easy reach of every soul."

For in depth analysis of the 2011 budget, see FM edition dated 25 Feb 2011.