

Awaiting budget reassurances

As South Africa waits for the Budget Speech from Finance Minister Pravin Gordhan at 2pm on 20 February 2012, many hope that it will emphasise how funds will be spent and what assurances will be made that excessive spending will be reined in.

By [Adam Samie](#) 20 Feb 2012

Essentially, the 2012 Budget will be characterised by what the political emphasis will be and how government spending will ultimately add value and improve the quality of life for all South African citizens. There needs to be a national priority to conserve state resources and make better use of state infrastructure as currently a significant 'credibility gap' exists around government efficiency and fiscal discipline.

Rooting out corruption at both provincial and national levels, while funding is being allocated, is key to make this year's budget work for the country and its people. President Jacob Zuma in his State of the Nation address last week said that a multi-agency working group led by the Treasury was cleaning up government procurement processes. In addition, we have also heard reports of audits and financial safeguards being put in place at all governmental levels to alleviate excess spending and tackle corruption. It is my hope that all these mechanisms yield positive results in the months to come.

An encouraging sign leading into the 2012 Budget is Economic Development Minister Ebrahim Patel's recent announcement of an 'integrity pact', whereby companies wishing to win contracts from the government would need to abide by the pact, committing applicants to ethical behaviour, including non-collusion with competitors and competitive pricing.

This pact is an extremely positive sign, especially coming so soon after government's announcement of Transnet's R300 billion infrastructure programme over seven years - a much-needed boost for our country's skills dilemma. This significant allocation, as well as other funding, which is rumoured to top R1-trillion, will be a key focus of this year's budget.

However, there are still many infrastructure-related questions to be answered during and post the 2012 Budget delivery. One question on my mind is what is going to be done about the ongoing tolling issue in Gauteng and how we are ultimately going to pay for the much-needed road construction? Another is infrastructure development at provincial level - what change practices will be put in place to ensure that we do not have a repeat of the maladministration of funds that occurred in Limpopo?

The issue of corruption has had a significant effect on our economy due to its impact on the confidence levels of corporate South Africa. Traditionally, when the corporate sector sees the economy stagnating or shrinking it tends to conserve capital, cut spending and in some cases halt skills and job creation. Government needs to be seen to be making a concerted effort to ensure that effective spending is taking place in order to boost confidence levels, as this will have a positive knock-on effect on our economic development.

Confidence in the stability of the economy and effective spending will encourage corporate spending on infrastructure, thus boosting the economy and creating more jobs. The more infrastructure put in place from public and private sources will effectively stimulate South Africa's economy and get the country back on

track to realising its true potential.

New infrastructure projects invariably require more public / private partnerships between government and insurers, which will have a positive impact on our insurance industry who stand to benefit through their service offerings to their private sector clients. Improved infrastructure could also enable South Africa to build on recent successes, such as the hosting of the 2010 FIFA World Cup, and attract additional global business and events. This will also have a spin-off effect on the local insurance sector, which will be required to put additional risk solutions in place.

In closing, I reference recent comments by Minister Ebrahim Patel on the issue of infrastructure expenditure going forward, where he said that it was time to ensure that government got "value for money." From an infrastructure perspective, this philosophy is the key to making the 2012 Budget work for South Africa and people.

ABOUT THE AUTHOR

Adam Samie is the CEO and founder of Lion of Africa Insurance.

For more, visit: <https://www.bizcommunity.com>