

A recipe for budget chaos

The ANC bi-annual lekgotla is an important event on the political calendar. It precedes the cabinet lekgotla, which in turn precedes the budget-planning process. Priorities set by the ANC in June are intended to feed into both the medium-term budget policy statement and, more importantly, the February budget.

The most important outcome of the lekgotla was not related to the budget at all. This was the request to the economic transformation committee "to co-ordinate an approach" between the Department of Mineral Resources and the mining industry that will look beyond the current impasse.

The committee, headed by Enoch Godongwana, has for the past two decades been the voice of rationality and prudence in the ANC. The Chamber of Mines will find a more sympathetic ear here, and a negotiating line via the ANC could be helpful.

A word of caution is necessary, however. Godongwana has long been involved in mediating on the edges of this dispute, so far with little effect on the behaviour of his most important colleague. Mineral Resources Minister Mosebenzi Zwane has shown before that he has little regard for what the ANC says. Although the ANC's top six advised him not to go ahead with the new charter, he speedily gazetted it into law.

There is also some caution to be expressed about the role of the economic transformation committee itself. In the past, the balance of forces in the ANC has enabled the investor-friendly stance of the committee to prevail. Now, though, there are signs that its influence is in decline with its views under contest from the "radical economic transformation" lobby in the ANC, in which Zwane and also President Jacob Zuma have taken an active part.

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There are no longer any guarantees that the economic transformation committee will prevail; much of what it says and does these days is contested later by the words and actions of others.

The lekgotla also looked in some detail at budget priorities. But although the media statement that followed was

filled with conventional and prudent language, the proposals were contradictory and out of touch with the realm of the possible. Notably, it was the first time that the Department of Performance Monitoring and Evaluation, headed by Jeff Radebe, led the discussion on budget priorities rather than the Treasury. This is the culmination of several years of internal wrangling as the Presidency has tried to gain more influence over the budget process. At last, Radebe has won and the budget priority process, which was formerly the function of the finance minister council on the budget, has shifted into his realm of authority.

The result looks like a recipe for shambles. While the role of the finance minister has always been to remind his colleagues of the need to make trade-offs over scarce resources, this time around the process has prioritised everything and nothing.

It promises both fiscal stimulus and fiscal containment; it promises to expand both infrastructure spending and social spending and yet to keep the lid on expenditure ceilings.

Among the specific priorities the ANC listed are the following: the construction of the Moloto Road corridor and the Umzimvubu Dam; the expansion of public works and youth employment schemes; free higher education for the poor; and the need to move ahead with the National Health Insurance scheme. This must be done, it says, "without undermining fiscal consolidation and expenditure limits".

But it is self-evident that to simultaneously expand infrastructure and social spending in an environment in which tax revenue is falling, while at the same time remaining within expenditure limits is an impossibility.

All this has the warning signs that ahead lies a chaotic budget process.