Nene instils confidence with a steady hand

Independent Media Finance Minister Nhlanhla Nene delivers his Medium-Term Budget Policy Statement in Parliament on Wednesday. Picture: Courtney Africa

By Craig Dodds (IOL)

Cape Town – Before Wednesday, Finance Minister Nhlanhla Nene was something of an unknown quantity.

He may have been a familiar face at the Treasury, having served as deputy minister under Trevor Manuel (briefly) and Pravin Gordhan and had certainly served his time as an understudy.

But deputy ministers, if they know what's good for them, rarely say anything their principal wouldn't have said, making it hard to gauge their own thinking.

Given Nene's relatively junior place in the ANC, questions were asked about his ability to withstand political pressure. Would he, if leaned on, loosen the purse strings more than he knew to be prudent, was the subtext of these concerns.

We don't know what took place behind closed doors – the nature and intensity of the horse trading that inevitably accompanies the preparation of the medium-term budget policy statement (MTBPS) tabled by Nene on Wednesday – but we now know the outcome.

The picture drawn of where he is heading as captain of the economy is surprisingly bold, but less so if read in context of the noises coming from the government in recent months.

Not only did Nene set a more conservative course than most had anticipated – sticking fiercely to budget deficit targets laid down by his predecessor despite drastically lower growth than anticipated – he also brought a stern pragmatism to some of the burning questions before him: how to keep ailing state-owned entities afloat without burning a hole in the budget and how to fund public infrastructure, including at local level, when the state's capacity to borrow was all but depleted. His answer was to turn to the private sector, not by chiding it for its lack of patriotism in holding back huge cash reserves instead of investing it, but by rolling out the red carpet, saying business needed to be given a bigger role.

"Removing obstacles to private investment must be a priority for government at all levels," the MTBPS document said.

Not surprisingly, Nene's stance incensed the ANC's alliance partner, Cosatu. "Minister Nene has now delivered a full-on austerity three-year budget framework at a time when we desperately need economic growth, productive investment and employment creation," it said, calling it "the most conservative budget statement in recent memory".

But there are several reasons why Nene's approach could have been anticipated.

The first, which he spelt out in detail, is the gravity of the situation that the country faces.

While growth has consistently undershot expectations in the past six years, the government has been splashing out on infrastructure, social protection measures and job-creation initiatives in a bid to breathe life into the economy, shooting up its debt levels.

Debt servicing costs are projected to rise from R76.5 billion in 2011-12 to R149.7bn in 2017-18, outstripping spending growth on all other components of government expenditure.

Continuing on this path would have necessitated cuts beyond the ones Nene is making and sooner or later would have eaten into spending on measures to protect the poor.

Clearly, the government has heard this wake-up call, no doubt spelt out by Nene in the bargaining phase of the budget cycle.

But, since its muted effect at the ANC’s Mangaung conference, it has also been clear that Cosatu’s influence on government thinking has been in decline — something the union federation is painfully aware of.

At the same time, overtures to business have been increasing in frequency and volume, with President Jacob Zuma in the lead.

His State of the Nation address after the elections gave some clues, including the setting up of the Presidential Business Working Group, but even as the storm over Nkandla raged around him, he has been feverishly consulting and cajoling business in recent weeks.

This week alone Zuma convened his advisory council on broad-based black economic empowerment, addressed the South African Chamber of Commerce and Industry and held a meeting with the business working group.

Nor is all this consultation pure hot air, including as it does focused task teams to identify and eliminate where possible obstacles to progress.

For example, Zuma announced on Friday that the Presidential Infrastructure Co-ordinating Commission (PICC) website had been updated, reflecting high-level details of all strategic integrated projects. Business would provide feedback on its experiences and suggestions for improvement.

“The PICC will host quarterly meetings with business on the infrastructure-build programme, update business on developments and create a forum for business to make inputs… linking to localisation efforts in moving toward 75 percent local content targets set,” Zuma said.

For its part, business had made proposals to offer private expertise in rolling out infrastructure.

It is clear that talk of a trust deficit between government and business is being taken seriously and there is to be a bona fide attempt to bridge it.

“The important factor is that we are talking, and that we are looking for solutions together. This is a great achievement for our country in recent times,” Zuma told the chamber of commerce earlier in the week.

“Let us disagree on issues but ensure that South Africa does not suffer in the process. We all have a duty to make our beautiful country succeed,” he said, adding: “Let me remind you that South Africa is open for business.” A concerted charm offensive is under way but labour appears to have been left in the cold.

This may change when the Nedlac partners meet for an indaba hosted by Deputy President Cyril Ramaphosa next month but, with relations between the governing ANC and Cosatu at a low and the federation itself deeply divided, it’s unclear whether the great social compact required to get the whole society pulling in the same direction will materialise any time soon.

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