ECONOMIC WEEK AHEAD

Thuletho Zwane

Attention will focus on Godongwana budget

Finance minister Enoch Godongwana will deliver the 2024 national budget on Wednesday with the daunting task of presenting a budget that keeps government expenditure in check in the face of a sluggish economy while finding the additional revenue needed to curtail rising debt.

The 2024 budget also comes during a crucial election year. It is arguably the most significant since the democratic elections of 1994 and will mark a pivotal moment shaping the country's fiscal trajectory.

FNB chief economist Mamello Matikinca-Ngwenya said the 2023 medium-term budget policy statement highlighted a strained fiscal landscape due to lacklustre revenue performance and mounting expenditure pressures driven by the public sector wage bill, escalating debt servicing costs and the extension of the Covid-19 social relief of distress grant.

"Consistent with our expectations, the latest Bloomberg consensus estimate for 2023 growth stands at 0.6%, with forecasts rising to 1.2% this year and 1.6% next year," Matikinca-Ngwenya said.

"We anticipate growth to reach 1.8% in 2026, aligning with the 2023 [medium-term budget policy statement] projections."

She said that as the economy continued to grapple with infrastructure deficiencies across energy, roads, ports and rail, compounded by tight monetary policy and a sluggish external environment, "these factors collectively weigh on government revenue performance".

Economists at the Bureau for Economic Research (BER) Tracey-Lee Solomon and Romano Harold said there were some hints in the state of the nation address about extending and improving the social relief of distress grant.

President Cyril Ramaphosa "spoke about National Health Insurance", Solomon said. "We are not expecting any major moves [on it] in this budget, with Treasury likely being firm on additional expenditure streams [being] possible only with sufficient, sustained revenue."

Harold said Ramaphosa also mentioned funds, including the Climate Change Response Fund, that would need money.

"There could be more on the need for a new, more credible fiscal anchor with the current expenditure ceiling not being a hard ceiling.

"There is also likely going to be mention of the need for the government to reconfigure, shrink. Though beyond promises to keep the wage bill in check, we do not expect more news in the budget," he said.

On the expenditure side, more support for state-owned enterprises, especially Transnet, would be important to look out for. Treasury had already extended the guaranteed loan facility to Transnet but still needed R100bn for corridor investment, they said.

However, unlike straightforward bailouts, as in the case of other state-owned enterprises (SOEs) in the past, it seemed like the government was more open to private sector participation in the logistics space, they added.

"We are much more downbeat than Treasury's latest, albeit by now outdated, debt projections. With revenue likely to be less than estimated in the [medium-term budget] and spending more, the picture should be worse than presented in November last year," they said.

In November, the Treasury had debt peaking at 77.7% of GDP in 2025/26 and then slowly tapering off. The BER said it saw a peak only two years after that, with debt having risen to about 83% of GDP by then.

This is what the 2023 medium-term budget policy statement signalled would be announced in the 2024 budget:

- Proposal of tax measures to raise additional revenue of R15bn in 2024/25.
- Implementation of tax and expenditure measures to support the automotive sector during the transition to new-energy vehicles.
- Introduction of new fiscal anchors to ensure a sustainable, long-term path for public finances.
- Proposal to scale down outdated and unproductive programmes and entities.
- Creation of a new mechanism to attract financing from the private sector and international finance institutions for large infrastructure projects.

"With 2024 being a pivotal election year, spending pressures could intensify the strain on the fiscal framework, especially in the short term," Matikinca-Ngwenya said.

She said the undisclosed ramifications of the government's potential decision to tap into the gold and foreign exchange contingency reserve account to fund debt could have near-term implications on the framework, contingent on the manner and extent of its utilisation.

The quarterly labour force statistics for the final quarter of 2023 will be published on Tuesday. The unemployment rate fell to 31.9% in the third quarter, the lowest in a year, from 32.6% in the previous period. The youth unemployment rate, measuring jobseekers 15 to 24 years old, dropped to a more than one-year low of 58%.

Nedbank senior economist Isaac Matshego said the labour statistics were likely to show a higher unemployment rate as the economy remained weak and business confidence depressed, undermining job creation.

The first consumer inflation data for 2024 is out on Wednesday. The annual inflation rate dipped for the second consecutive month to 5.1% in December 2023, from 5.5% in November and just below market forecasts of 5.2%. It was the lowest reading in four months, edging closer to the Reserve Bank's preferred 4.5% midpoint of the 3%-6% target range.

The BER said it anticipated headline inflation would accelerate to about 5.4% in January. Nedbank forecast the consumer price index (CPI) accelerating at 5.3% in January, with overall prices rising 0.1% after no change in December, lifted by a modest rise in food prices. FNB said there was no monthly pressure as core inflation was mitigated by fuel, food and nonalcoholic beverages. The bank expects the disinflation trend to continue over the course of the year, averaging about 5.2% from 6% in 2023.

The Reserve Bank will publish the composite leading business cycle on Tuesday.

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Two fixes for debt crisis, but only policy offers a permanent cure

The government is now in a classic debt spiral, where it is borrowing to pay interest on existing debt

Hilary Joffe

This week's national budget is likely to feature two new fixes for SA's public debt problem – a new fiscal anchor and the Gold & Foreign Exchange Contingency Reserve Account (GFECRA) could help avert a debt crisis by slowing the growth of the national debt and lowering its cost.

But unless SA can lift its economic growth rate and find political consensus on big policy choices that are needed, neither can offer more than a temporary fix to a longer term, structural problem. Government debt, which is over R5-trillion, is expected to exceed R6-trillion in the next two years, rising from about 75% of the size of the economy to over 77%, whereas the Treasury projected in November it would stabilise by 2026.

In themselves, the absolute numbers might not matter. But SA's debt has been growing faster than its ever more stagnant economy for the past two decades, as well as faster than other emerging markets. The cost of that debt is consuming an ever larger share of SA's economic and fiscal resources, taking 20c of every rand the government collects in taxes.

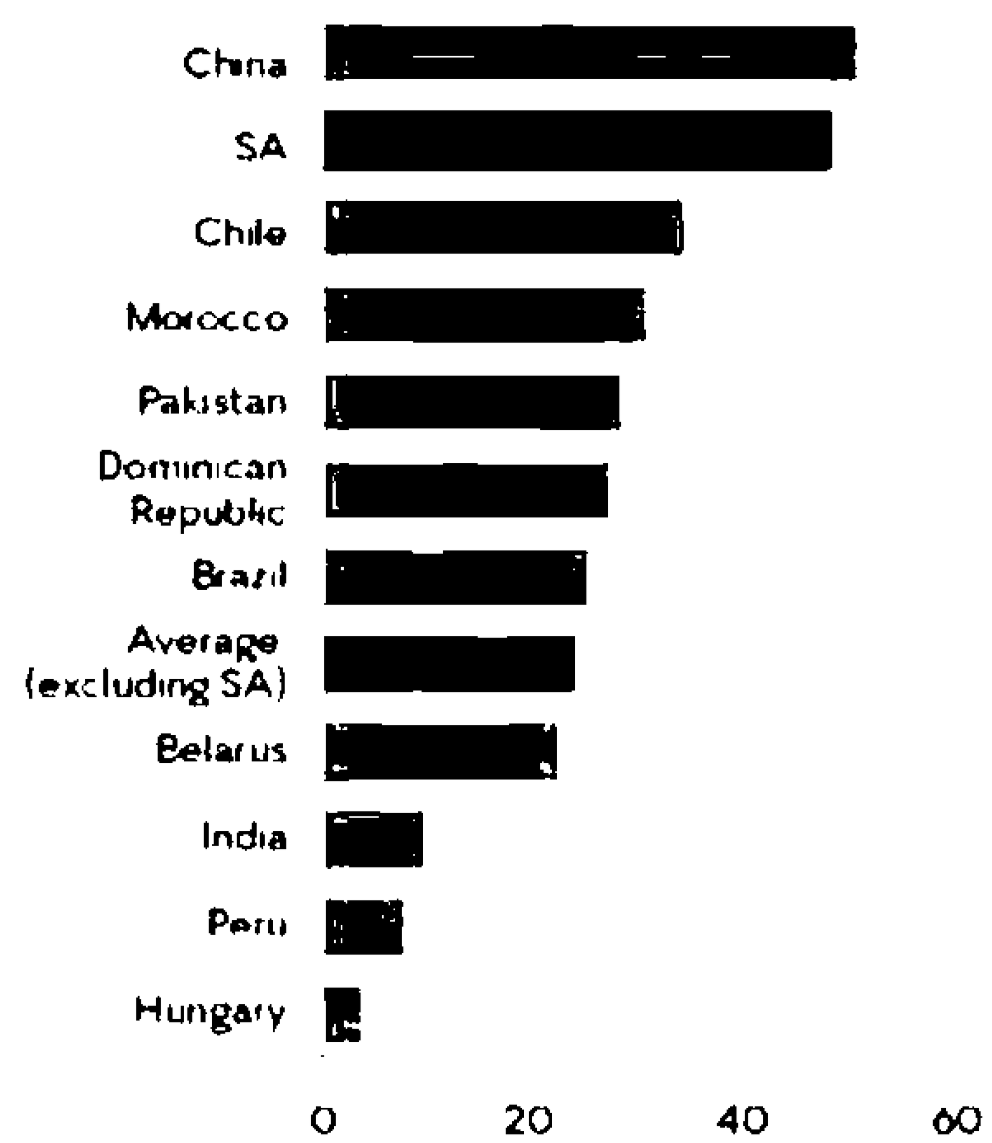
The government is now in a classic debt spiral, where it is borrowing to pay interest on existing debt. It's a vicious cycle where the more it borrows in a market with limited capacity, and the more lenders and investors worry about its ability to repay its debt in decades to come, the higher the interest rates (or yields) they demand to buy its bonds, particularly longer term bonds.

With the commodities boom well and truly over, the Treasury had already cut its revenue projections in November's medium-term budget and upped its estimate of where the debt would stabilise, assuming the government can deliver on the huge R213m of spending reductions the finance minister has pencilled in for the next four years. Some economists believe revenue and spending are roughly on track, but most are sceptical, predicting higher deficits and a debt ratio that will head to 80% or higher, without stabilising.

Even if finance minister Enoch Godongwana can show a plausible medium-term framework in which spending is contained and debt stabilises, economists now discount the fact that the spending path revealed on Wednesday isn't likely to be the one that materialises. For example, the Treasury may budget for zero or low public sector wage increases, but everyone knows the unions will demand more. If it doesn't extend the R350 social grant at first, it may do so later; if it avoids a Transnet cash injection now, this is inevitable some time soon.

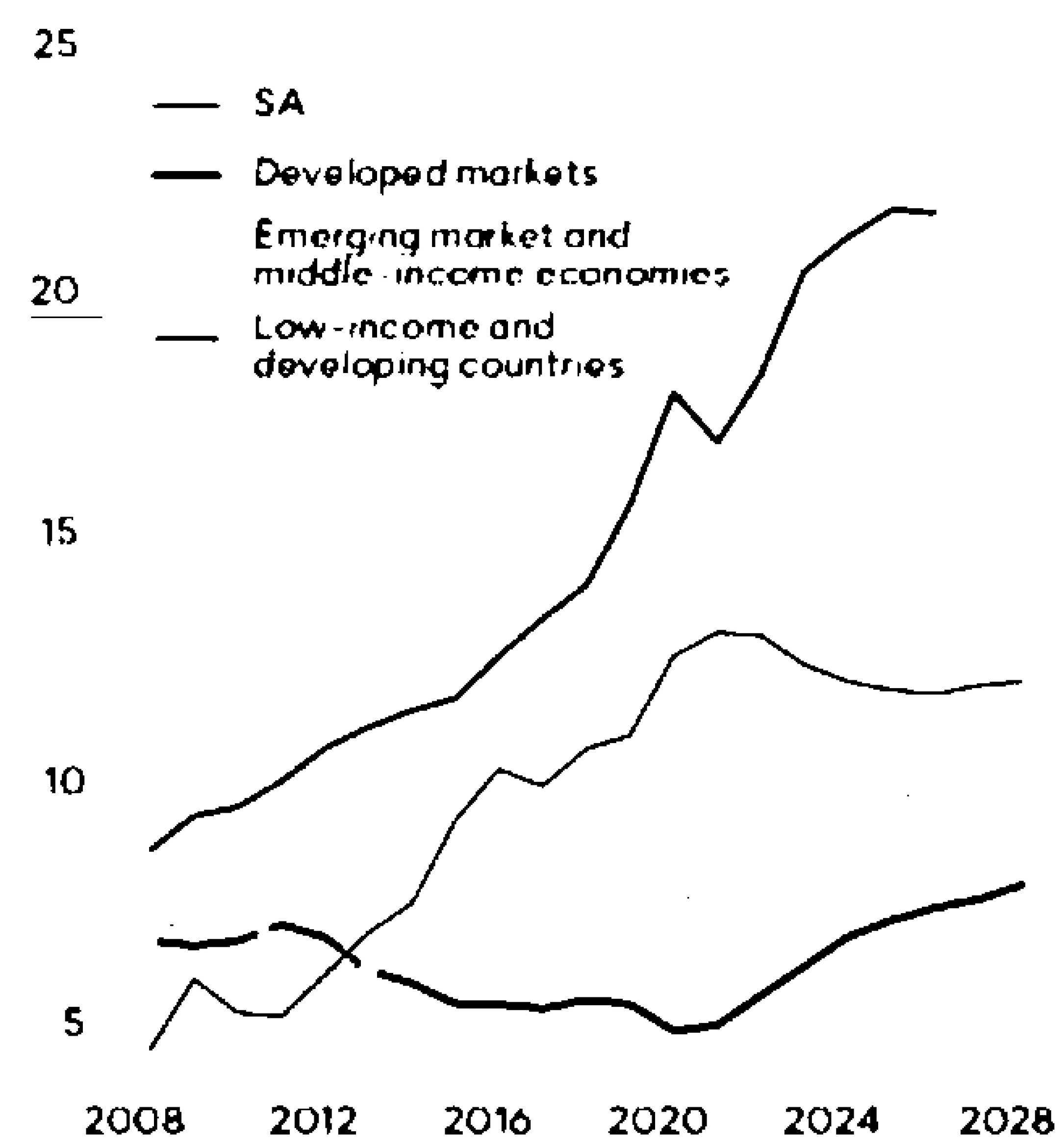
SA's DETERIORATING DEBT PROFILE

Change in gross debt as a share of GDP 2008 to 2022 (%)



ESCALATION IN DEBT-SERVICE COSTS

Interest payments as a share of government revenue with forecasts (%)



When it reduces spending growth with a sleight of hand that takes the Eskom bailout out of spending and accounts for it as debt, economists just add it back to spending. The credibility of medium-term budgeting that was carefully built in the early days of democracy has eroded, and it will be even more difficult to re-establish in the more contested and chaotic era of coalition politics that could follow this year's general election.

That's one of the reasons the government's borrowing costs are so much higher on long-term than short-term debt; the markets are saying that while public finances may be on track for the next couple of years, they are none too confident about the trajectory a decade or two down the line.

One "fix" that is suggested is a new fiscal rule or anchor which, in the words of the IMF, would improve the institutional fiscal framework and "support growth-friendly fiscal adjustment". The Treasury said in its medium-term budget policy review that it would develop such a fiscal anchor to ensure sustainable public finances, and provide an update in this week's budget.

SA already has an old anchor: in 2012 the Treasury introduced an absolute cap on government spending each year. It's tempting to dismiss this as a failure, but Wits University's Michael Sachs, a former head of the Treasury's budget office, points out that the government did stay below the expenditure ceiling until the Covid-19 pandemic.

By contrast, the IMF wants to see SA impose an explicit debt ceiling to anchor the expenditure ceiling. It has called for SA to cut its debt towards common debt ceilings of 60%-70% globally. But what level would be appropriate? If SA's debt were a lot cheaper and the economy was growing faster, it could in theory sustain a far higher debt level. Any target may be a bit arbitrary. Another option that has been suggested is to target a primary budget surplus, as the Treasury already tries to do because that's the way to stabilise the debt.

In theory, a fiscal anchor or rule would help rebuild the credibility of the budget by keeping the government on track with the programme and instilling confidence in investors and so cutting borrowing costs. But any anchor is only as good as the government behind it.

A second, more tangible, fix for government's debt woes is the GFECRA, which houses the unrealised profits or losses on SA's gold and foreign exchange reserves. These have climbed to almost R500bn thanks to a rising gold price and depreciating rand and are – unusually in SA – for the account of the Treasury, which would need the Reserve Bank's agreement to draw on these profits. It has said an announcement will be made at budget time.

RMB Morgan Stanley economist Andrea Masia expects an initial transfer of up to R100bn, but only once the details of a new governing framework for the GFECRA are finalised later this year. This could shave 0.7%-1.5% of GDP from the fiscal deficit and make the government's financing strategy look more sustainable, he said in a note.

To realise the GFECRA profits the Reserve Bank would either have to sell foreign reserves or print money. Either prospect inevitably prompts some panic about raiding the family silver to finance an irresponsible government.

The counterargument is that the GFECRA is simply part of the broader public sector balance sheet. Sachs argues that even if public finances are weak, the public sector balance sheet is still strong, and it can be mobilised to "soften the blow of austerity".

But it does matter how it's done, and what it's used for. To prevent the money that is printed being inflationary, the Bank would probably issue short-term securities, on which the Treasury would have to pay interest – though at the current 8.25% repo rate that would still be a huge saving on the 12% interest the government is paying on its long bonds. The proceeds would probably count as revenue, reducing the deficit. Better still would be to earmark the proceeds to reduce debt, either the government's or Transnet's.

Done responsibly, the GFECRA would help on the debt side. But it's not free money. And it's a one-off fix that doesn't address the underlying problem: slow economic growth, a high country "risk premium" that drives up the cost of borrowing, and a government without the political coherence or political will to make serious policy choices on how to spend fiscal resources, which will remain scarce as long as growth and the economy's revenue capacity remain weak.

● *Joffe is editor-at-large.*

RESEARCH

Proposal for a Universal Basic Income Grant as economic stimulus

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THE SOCIAL Policy Initiative (SPI) has proposed a wide-scale introduction of a decent, universal basic income (UBI) and rolled out over a three-year period, starting from R798 per month in the first year to up to R1 804 per month in the third year, to kick-start a new growth path.

In a strategic position paper, titled "The Economics of Implementing UBI in South Africa", launched last week, the SPI argued that the grant must be viewed as an economic stimulus, and not as a poverty reduction programme.

The paper advances data to show that a decent UBI benefit of R1 500 paid to everybody per month without conditions could self-fund itself by 96%.

The paper modelled the gross cost of implementing UBI for adults and children and concluded it would be R862.9 billion over three years – R557.7bn for adults and R305.2bn for children who received a means-tested child-support grant of R505 per month during the 2023/24 financial year.

The SPI said this was a first step towards its Vision 2035 of full employment and, if implemented correctly, would be a critical step towards higher gross domestic product (GDP) growth.

Speaking to *Business Report* on Friday, SPI research author Duma Gqubule said that to get 11.7 million people to work was the equivalent of a war effort.

The official figure of the unemployed in South Africa has decreased slightly to 7.8 million, but the expanded definition of unemployment puts the number without jobs at just below 12 million, while just about 7.2 million people pay income taxes.

Gqubule said the objective of the UBI was to achieve full employment with a less than 5% unemployment rate by 2035 through rapid economic growth.

He said there was no single policy that would see the country achieve full employment, hence the need for multiple policies to address the multiple dimensions of the crisis.

"The poverty levels in this country are just unsustainable. Half the people live in poverty and 20% of the population have no food. So how long must we keep the situation going for?" Gqubule asked.

"We must create this dignity floor below which anyone cannot go. The UBI is according to the official food poverty lines."

As of last year, a person living in South Africa with less than R1 058 per month was considered poor.

South Africa already has 28 million people relying on social grants, with 18 million receiving old age pension and child support grants and a further 10 million benefiting from the monthly R350 social relief of distress grant introduced in 2020.

What the SPI proposes is not a novel idea, even though some may say it would make South Africa a welfare state when social grants are already one of the top three public expenditure items, amid deteriorating public finances.

In 2019, a University of California study that researched the work of GiveDirectly, a US charity organisation which was giving cash grants to impoverished families in African countries, found that when families were given the power to decide how to spend the money, they managed it in ways that improved their well-being.

Gqubule acknowledged that the UBI was only sustainable when the country maintained a high economic growth rate of 4.8% to 6% per annum.

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EDITORIAL

BUDGET: GIVE MORE FUNDING TO NGOS FOR CRUCIAL ROLE

FINANCE Minister Enoch Godongwana's Budget on Wednesday should try by all means to avoid slashing funding for non-governmental organisations that play a crucial role in ensuring that poor South Africans are not left to fend for themselves.

Godongwana, in his medium-term budget policy statement last year, said government spending had been revised down by R21 billion, with further reductions of R64bn in 2024/25 and R69bn in 2025/26.

Cutting funding for the organisations catering for gender-based violence victims, orphans, homeless people and the elderly, among others, will spell disaster for this country.

It was the same organisations that millions of people turned to when the government could not assist them at the height of the Covid-19 pandemic. And which continue to fill the gaps with the little budgets they have when the Social Development Department fails to fulfil its constitutional mandate.

It's frustrating that they have to find themselves in this precarious position, facing possible closures largely due to government mismanagement. Compounding their challenges is the rising unemployment, especially among the youth.

The R350 grant is nowhere near enough to meet the needs of the majority of beneficiaries.

The anti-gender-based violence Trauma Centre for Survivors of Violence and Torture Trust has already detailed the devastating impact further budget cuts would have on the organisation sitting with a R300 000 bill for monthly operational costs.

"If the trauma centre does not get funding, then we will have to lay off the majority of our social workers and social auxiliary workers. We still hope the cut won't be so severe, but the correspondence we received said funding was not guaranteed," said the organisation.

This is a scenario that Godongwana's Budget must avoid. In fact, this is where the bulk of funding should go. These organisations are the lifeblood of our communities in the face of the government's monumental failures and mismanagement.

Slashing their funding allocation would be tantamount to declaring war against the poor and vulnerable groups, the very same people about whose plight the ANC claims to be concerned.

RIGHTS

Spare children from budget cuts – UNCRC

ZELDA VENTER
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AHEAD of this week's budget, the UN Committee on the Rights of the Child (UNCRC) has urged the government to spare children from budget cuts.

The committee made the plea in its concluding observations issued earlier this month, following its meeting in Geneva with the South African government delegation to discuss progress in improving the lives of children in the country.

The committee, a body of 18 independent experts, monitors the implementation of the UN Convention on the Rights of the Child, by the countries that have agreed to be bound by the convention.

All these countries (including South Africa) must submit regular reports to the committee on the progress they have made in realising children's rights, and any challenges preventing progress.

The Children's Institute at the University of Cape Town drew the committee's attention to several urgent challenges, including the need for the government to budget in a way that prioritises the development and well-being of children.

The committee recommended that South Africa allocate adequate budgetary resources for the implementation of children's rights, in particular the social sectors, and ensure that the sectors relevant for children's rights are not affected by inflation, budget cuts or adverse economic conditions.

The Children's Institute previously warned recent budget decisions by the government had a negative impact on children. These included annual inflation increases to the child support grants that are too small to prevent the value of the grant from shrinking compared to rising food prices.

It is also said that the value of the grant was too low to cover the cost of a child's basic nutritional needs, the original purpose of the grant when it was introduced in 1998.

Another concern was cuts to the health budget that resulted in the freezing of posts for health workers, thus compromising children's access to health care services.

It is also said that non-profit organisations (NPOs) that provide child protection services were facing closure because provincial departments of social development were cutting NPO subsidies, or withdrawing them completely.

Provinces claim they have little choice as their budgets are being cut, on top of which they must find money to pay for wage hikes for staff thanks to a deal made by national government.

The institute added that the lack of inflation related increases for the past five years to the per child subsidies paid by the provincial departments of basic education to NPOs providing early learning programmes for children, was a great concern.

The UN Committee emphasised that the government should take urgent measures to improve the realisation of children's rights in particular areas. The topics and recommendations included that the principle of the best interests of the child should be appropriately integrated in all decisions impacting children, including decisions on resource allocation made by the economic sector.

To address child hunger, the government should allocate adequate resources to the social assistance programme and health services, it said.

To remove barriers to the registration of child births, the committee recommended several steps, including increasing the number and reach of mobile registration units for children born in rural areas.

The committee added that the government should provide sufficient human, technical and financial resources to expand the access, coverage and quality of universal health care for children in the country. This includes a strong focus on closing the gaps in immunisation, nutrition, HIV, mental health, and adolescent sexual and reproductive services.

It also called on the government to address the unequal allocation of resources to rural and urban areas, and the "underfunding" of protection programmes.

The committee urged South Africa to allocate enough resources for programmes and initiatives aimed at protecting children from all forms of violence, abuse and neglect, and to invest in programmes to make the ban on corporal punishment a reality.

In regard to early childhood development, the UN Committee urged the government to invest in making it possible for children to develop and thrive. Only then can the cycle of poverty and inequality, which continues, be broken, it said.

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EDITORIAL

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CHILD RIGHTS

Spare children from Budget cuts, UN body urges SA government

ZELDA VENTER
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All these countries (including South Africa) must submit regular reports to the committee on the progress they have made in realising children's rights, and any challenges preventing progress.

The Children's Institute (University of Cape Town) drew the committee's attention to several urgent challenges, including the need for the government to budget in a way that prioritises the development and well-being of children.

The committee recommended that South Africa allocate adequate budgetary resources for the implementation of children's rights, in particular the social sectors, and ensure that the sectors relevant for children's rights are not affected by inflation, budget cuts or adverse economic conditions.

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It is also said non-profit organisations (NPOs) that provide child protection services were facing closure because provincial departments of social development were cutting NPO subsidies, or withdrawing them completely.

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The UN Committee emphasised that the government should take urgent measures to improve the realisation of children's rights in particular areas. The topics and recommendations included that the principle of the best interests of the child should be appropriately integrated in all decisions impacting children, including decisions on resource allocation made by the economic sector.

To address child hunger, the government should allocate adequate resources to the social assistance programme and health services, it said.

Government should also address discrimination against children who don't have identity documents. To remove barriers to the registration of child births, the committee recommended several steps, including increasing the number and reach of mobile registration units for children born in rural areas.

The committee added that the government should provide sufficient human, technical and financial resources to expand the access, coverage and quality of universal healthcare for children across the country. This includes a strong focus on closing the gaps in immunisation, nutrition, HIV, mental health, and adolescent sexual and reproductive services.

Let's see SOEs fund grants

Richard Chemaly

If grants cost R200 billion a year, then each SOE would only need to turn a profit of 29 billion.

Who cares if state-owned enterprises (SOEs) are loss-making? Taxpayers sure, but let's get real. If you're an average South African, the tax you pay annually between PAYE, VAT and at the pumps will hardly pay for even one senior government official's expense account. So being a taxpayer and caring about loss-making SOEs is hardly going to incentivise the moving of the needle in getting them to function.

Load shedding has been in our lexicon for about 17 years. That's more time than it took the world to fight and resolve two wars. It's more time than it took to get to the moon. Yes, load shedding has outlived Rihanna's *Umbrella*, Beyonce's *Irreplaceable*, four US presidents and three presidential terms of Russia's Vladimir Putin (plus a prime ministership).

Yes, that's how old load shedding is. It came in at a time Steve Jobs was still alive and showing off the world's first iPhone. Android had just been introduced to the world and the Kindle came to market. It's old news. We were still busy converting our VHS tapes to DVD.

Yet, for all the technological progress in the world since then, keeping the lights on has been an issue, though not that big of a deal if you listen to Sylvia Lucas.

Hilariously, she tried backtracking using the tried and tested apartheid context and then, to bring herself down to our level, said: "The only thing that I bought with my own money is an inverter for my fridge and for my children so they can watch TV and to charge"... as if she has another source of money that's not hers. But that is becoming the national way: getting used to spending money that is not yours and reaping the benefit.

Sure, there should be some social security, but funding it by digging into debt doesn't seem very sustainable and sustainability is kind of a nice thing to have. It's easy for those in charge but nobody is paying taxes just to make things easy for them. So since Lucas is has invoked the apartheid luxury card, let's look at other luxuries that come from our past: those being the SOEs.

If those in need depended on SOE success rather than the colonial Robin Hood methodology, wouldn't that be an incentive to run them properly? Why would no party put it in their manifesto? After all, it's state resources. Why not just earmark the declared profits to be shared among the people. Those who don't want it can take a tax credit instead.

It's not like we need to start it immediately. Give it a roadmap and get the SOEs into gear to actually be worth something to the nation.

If grants cost R200 billion a year and the department of public enterprises website lists Transnet, SA Express, Eskom, Safcol, Denel, SAA and Alexkor as its SOEs, then each would only need to turn a profit of 29 billion. It would be much less even if you just subjected one of the grants to this idea. Sibanye hits the mark for its shareholders. Naspers does too. Why can't the South African state do the same for its people?

What's the matter? Does the idea of effectively using state resources scare you? Imagine how scared the country is at the idea of the state resources not being used effectively. Want to fund spending by taxing the profits of others? Why can't the state make profits of its own? Why can't the state actually work for us for a change and make a success of the country?

It can't be that difficult to start and say that we care about our people so much we're going to improve their lives? Maybe that will be the start of seeing the benefit of having a functional state both for political leaders and the electorate.

After all, doesn't the beloved Freedom Charter say something about sharing the country's wealth? Wouldn't this be a pretty.

Hard choices ahead for finmin

Only signs that something is being done, be it removing restrictive legislation or enabling licensing for private businesses, will show the necessary resolve

ISAAH MHLANGA

The minister of finance will on Wednesday table the 2024/25 budget in a challenging global and domestic environment.

These challenges necessitate hard choices and trade-offs that will be complicated by the upcoming general elections.

Let's begin with the external environment, where economic growth is slowing owing to the high interest rates imposed by governments to bring down the post-pandemic surge in inflation.

Growth is also slowing because of high geopolitical uncertainty brought on by conflict in Ukraine and Gaza, as well as the potential policy implications of more than 70 countries holding elections this year.

The combined impact of wars and uncertain electoral outcomes diverts what could have been outbound capital destined for Africa to other destinations and enterprises.

While SA's direct contribution to the global challenges of wars and elections is zero, there are two things we do that are negative for the domestic economy and invariably complicate fiscal policy choices.

First, we did not build enough buffers to cushion the economy from the economic effects of the geopolitical fallout.

Second, SA appears to be domesticating potential global geopolitical risks on the basis of foreign policy positions that appear at odds with our economic interests.

Domestic constraints on the economy include insufficient energy; substandard rail, ports and water infrastructure; inadequate safety and security; and poor educational outcomes, among other issues. What, then, should we expect from the budget speech?

Historically, the state of the nation address (Sona) described the government's main achievements over the past year and its priorities for the coming one, providing clues as to what the finance minister will be required to commit funding for.

However, this year's Sona read like an election campaign speech and provides few to no clues as to what we can look forward to in the budget.

Instead, the two aspects that featured prominently were the NHI Bill and the possibility that the social relief of distress grant could be reformed into a basic income grant (BIG).

Both of these are negative policy reforms from a fiscal sustainability perspective, given the country's low economic growth.

Looking at the fiscal deficit going back to 1999, no obvious populist budgeting is apparent, except for the 2009 and 2019 general elections, where the fiscal deficit widened.

We did not build enough buffers to cushion the economy from the economic effects of the geopolitical fallout

The 2009 deficit widening was a response to the global financial crisis, which every country had to respond to, and thus the 2019 general election year was the only one in which the fiscal deficit increased in the absence of an economic shock.

This, however, does not detract from the government's general inability to ensure fiscal restraint, as seen in the budget over the long term, which is evidenced by persistently rising social spending without an accompanying permanent revenue source — leading to unsustainable debt levels.

The two difficulties for the finance minister are his inability to raise significant new taxes, owing to a shrinking tax base and low growth, and the difficulty he would face in cutting spending during an election year.

This leaves another traditional option — ramping up economic reforms that can boost future growth and tax revenue collections — as a possible source of income. This, though, will not be a quick fix, and thus there will be no immediate change in fortunes.

Promising reforms without implementing them no longer means anything to investors.

Only the evidence that something is being done, be it removing restrictive legislation and regulations or granting licences to private businesses to allow them to operate, will show the necessary resolve and change investors' minds about the direction in which the economy is headed.

Thus, the budget must fund growth-boosting structural reforms and not simply authorise spending whose impact on productivity is low or even negative.

The list of infrastructural reforms needed is well known: rail, roads, ports, and water, among others.

None of these is constrained by technology.

Railway track designs are centuries old and still in use the world over, so the government must replace the stolen ones and secure them.

Filling potholes in roads is easy, so the government must do this.

Water pipes all have the same design, so the government must replace the broken ones.

All these initiatives require funding, and if the government is constrained it must call upon the private sector to do the job in partnership with the state — and profitably.

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