

POLICY ISSUES

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The three deficits

Budget deficit became part of the SA vocabulary after 1996 when Government committed itself to reducing it to 3% of GDP. That has since been achieved (it is now around 2.5% of GDP) and a new target has been set: a deficit that will result in zero Government dissaving, to be attained by 2001. That implies a deficit of 2% of GDP.

Cosatu resisted the push for a lower budget deficit by introducing the concept of a social deficit, referring to the huge backlogs in education, health services and high levels of poverty in general. It used the social deficit as argument that the Budget deficit should be allowed to go much higher.

Clearly, Government has not paid too much attention. Rather it is taking the alternative route of tackling the social deficit through economic growth and investment.

It is becoming clear, however, that SA suffers from a third deficit - an efficiency one. SA's spending on education is among the highest in the world for its income category. It spends 8% of GDP on education - 60% more than the world average. Yet its children are rated bottom of the class on maths and science competencies. Only 8% of children who start school finish with a matric exemption. Only half of those who get to matric actually pass it.

Money is clearly not the problem. Much poorer countries in Africa are doing better. The problem is the efficiency of that spending.

Likewise, SA's spending on health services is ranked 151 out of 191 in the world, but is rated 175th in terms of overall efficiency. Huge amounts are spent on medicines, many of which simply disappear from the public health system.

Only better and more efficient management will cure this efficiency deficit. But more efficient management cannot come about in inefficient structures. No manager worth his salt will work in an environment where he or she cannot control reward and remuneration, where there is virtually total labour inflexibility and where there is no reward for efficiency gains.

The structure of the public service itself must be changed.

Successful change was achieved with the conversion of the Receiver of Revenue from a State department to an independent management entity. Tax collection improved dramatically; partly paving the way for a reduced budget deficit.

Similar models can be explored for health and education. Grants for each child can enhance efficiencies in education and improve school conditions for millions of children.

Many functions in public hospitals can be run by public-private partnerships, which are guaranteed to improve efficiencies.

Now that the Budget deficit is under control, the social deficit must be resolved, at least in part, by tackling the efficiency deficit. The best way to do that is to change the public service structure.

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