

The New Age 29 May 2012

Commission calls for action

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With the global economic crisis continuing to rattle the world South Africa remains trapped in a cycle of high inequality and high levels of unemployment.

Financial and Fiscal Commission chairperson Bongani Khumalo told journalists in Parliament yesterday that with the global economic situation remaining uncertain the country's recovery would be stalled.

This was the picture that was painted by the FCC when it outlined its budget recommendations for the 2013-14 financial year.

Khumalo said in view of the global economic climate it would take some time before South Africa fully recovers from the crisis.

He said the recession would negatively impact on the economic growth of the country and this would lead to the slowing down in the fight to reduce poverty and inequality. The country remains trapped in a cycle of high inequality and extremely high unemployment. Regional and ethnic inequities persist, said Khumalo.

The poor and marginalised are not participating in the economy and are disproportionately vulnerable to natural disasters and climate change. The poor are also most reliant on public services and thus hardest hit by delays and failures. FCC member Tania Ajam said South Africa needed different approaches to make an impact on unemployment.

Whatever approaches that are undertaken they have to be short-term and long-term in order to reduce the level of unemployment, said Ajam.

In its report, which it tabled in Parliament, the commission recommended that the government must re-direct its spending towards projects that create jobs.

The FCC said healthcare, durable goods manufacturing, agriculture, community services and hospitality and food service should complement government's expanded infrastructure expenditure plan which traditionally has focused chiefly on construction activities.

The report further recommends the government should promote low paying jobs in order to generate more jobs including those in the informal service sector. Unemployment can be brought down if the state can re-design its tender system by incorporating the informal economy and small businesses.

Big companies which are awarded massive tenders should partner with small businesses, states the report.

The government could set up incentive schemes for companies that create more jobs.

The report also found that there was a lack of capacity for municipalities to render services.

There must be clearly defined targets for municipalities on how they use conditional grants that are transferred by the national government, the report states.

Khumalo said it would take between three to five years before the impact of the recommendations could be felt.

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