

## MEDIA STATEMENT

**11 November 2021**

### **Business Unity SA on Medium Term Budget Policy Statement (MTBPS)**

BUSA congratulated Minister Godongwana on his maiden MTBPS on 11<sup>th</sup> November 2021.

Minister Godongwana has been consistent, since his appointment, of the need to be prudent in the current climate. He has been clear that the critical issue for the country is to create an environment for investment and growth, and the country cannot afford to commit to any expenditure the fiscus cannot afford. He further emphasised the private sector will create jobs, and it is the role of government to intervene to enhance growth and not impede growth.

The Minister emphasised, including in the key take-aways toward the conclusion of his address, that necessary structural economic reforms to generate economic growth is critical. We have been beating this drum for the last 5 years and thus strongly endorse this. He emphasised the country cannot deal with numerous challenges without growth. He also emphasised the need to manage our debt, with debt service costs now higher than the budget for health.

We note with concern, yet again, the impact of the public service wage bill. The Minister indicated the budget ceiling for compensation of public servants was breached by R20.5 billion. He warned that if the honouring of the public service wage agreement became too great, government might need to shift funds from the Infrastructure Fund to meet such increases. BUSA expresses serious concern about this, particularly at a time when growth-enhancing infrastructure spend is critical for economic growth and job creation.

The Minister identified port corporatisation, spectrum release, ongoing REIPPs, digital migration, energy, and water as critical areas of implementation. We agree with this and would add that issues like expediting mining exploration licences and other immediately actionable actions to increase confidence in our economy also to be critical.

We welcome additional allocations to SASRIA to enable the institution to meet insurance claims and to the National Department of Health for additional vaccines. We also welcome allocations to public sector employment programmes but warn that this does not replace the need for tough decisions to unblock red tape and inappropriate regulations that impede the private sector from growing businesses and creating sustainable jobs.

We also welcome the fact that new allocations have not been made to SOE's. We believe this should lend urgency to a hard discussion on the roles and mandates of SOE' rationalisation of SOE's and possible closure of those that add no economic or social value.

We also note the Minister's comment that this MTBPS also addresses the plight of poverty. He allocated an additional 26,7b to extend social relief of distress grant until March 2022. He noted that 46% of the SA population receives social grants. We must indicate that this is clearly necessary to relieve poverty and enable people to put food on the table. However, this is not sustainable and the most sustainable way to address poverty is to create jobs and enable people to accumulate assets. This is only possible if we attract investment and put our country onto a sustainable and inclusive growth path.

In conclusion, BUSA is of the view the Minister has demonstrated the need for prudence and to stay the course on managing scarce resources. This gives government the space to urgently institute the necessary structural economic reforms that will attract investment and enable us to grow our economy. That is the only way forward!

ENDS

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**Business Unity SA CEO**

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