



B U S A
BUSINESS UNITY SOUTH AFRICA

MEDIA STATEMENT – IMMEDIATE RELEASE

**BUSA’s CALL FOR A “SURPRISE FREE” BUDGET – NO TAX SHOCKS
WANTED**

15 FEBRUARY 2010

The 2010 Budget is crucial in helping to support South Africa’s economic recovery and lay the necessary foundation for Post-2010 economic prosperity following on the deepest recession in seventeen years. For the time being, an expansionary fiscal stance that stimulates consumer and business confidence, supports gross capital formation and addresses long term global competitiveness issues will therefore be most helpful.

The following matters are relevant to business and investor confidence and BUSA urges the Minister to provide an appropriate framework to address broad policy issues:

- 1) **POLICY CERTAINTY AND PREDICTABILITY:** BUSA hopes that the Minister clarifies government position on key economic policy discussions that are currently underway in the public domain, such as inflation targeting and exchange rate management. Policy certainty and predictability remain important considerations in investment decisions. This means that the Budget should largely be “surprise free” and not contain policy or tax shocks.
- 2) **FISCAL FRAMEWORK:** BUSA expects the Budget Speech to continue along established path, as encapsulated in the Medium Term Expenditure Framework in identifying expenditure priorities for the 2010-2011 Budget cycles. This framework is important and must continue as the cornerstone of prudent fiscal management.
- 3) **BUDGET DEFICIT:** As part of the economic recovery package, BUSA appreciates that South Africa will run a Budget deficit in the medium term. BUSA believes that the focus should nonetheless equally be on the “the quality of the budget deficit”. We thus expect the Minister to make strong pronouncements on measures to improve the efficiency of government spending and monitoring thereof.

We are also cognisant of competing priorities which must be financed. It is thus important that government expenditure is appropriately prioritised to ensure its maximum impact on economic growth and development to achieve the stated objectives of halving unemployment and poverty .

BUSA would like to see the 2010 Budget include the following broad areas:

- 1) ENERGY FUNDING

BUSA anticipates that the Minister will pronounce on the Energy Funding in South Africa in light of the establishment of an Independent Systems Operator as outlined by President Zuma. We believe that appropriate government funding will be crucial in fast-tracking the deregulation of the electricity sector. To this effect, BUSA expects the Minister the Budget to provide for the establishment of the appropriate institutions and the resourcing thereof.

2) INCENTIVES TO SUPPORT PRIVATE SECTOR DEVELOPMENT

Private Sector development is the backbone of economic growth. BUSA hopes that the Minister will make announcements on incentives which will facilitate the development of enterprise, especially the SMME sector which makes a significant contribution to GDP and employment. Such incentives could include finance for economic transformation, further R&D funding and tax incentives to support investment. We also hope that the Minister will indicate the appropriate allocations to support the Industrial Policy Action Plan.

3) INFRASTRUCTURAL PROGRAMME

BUSA welcomes the continuation of government's infrastructural expenditure programme. It is important that this programme is now fast-tracked to ensure maximum returns from investment, if necessary through increased use of Public Private Sector partnerships (PPP's). The quality of our road, rail and port networks must be improved to enhance South Africa's competitiveness. In particular, the condition of the roads system is cause for grave concern as a poor road system adds considerably to the costs of doing business in South Africa.

4) ENVIRONMENTAL LEVIES

BUSA recognises that climate change is one of the greatest issues facing South Africa's sustainability. We are however concerned about the government approach in dealing with climate change and related levies and would like a clearer policy directive on environmental levies, including more intensive consultation with the private sector.

5) HUMAN CAPITAL INVESTMENT

BUSA remains concerned that outcomes from our investment in human capital remain low. We believe that human capital development is at the heart of the sustainable growth path for South Africa, and that the skills bottleneck requires urgent joint action by both the public and private sectors. This is equally important for sustainable growth and transformation. We therefore also urge government to finalise the appointment of the HRD Council.

6) SOCIAL SECURITY AND RETIREMENT FUND REFORM including National Health Insurance (NHI)

It is BUSA's view that the Social Security & Retirement Fund Reform including NHI are significant areas which require appropriate resourcing. At this juncture, BUSA calls for government to outline its policy positions on these issues and the expected timeframes for implementation- and engage in constructive debate on affordable options for equitable access.

7) STATE OWNED ENTITIES AND THEIR CAPITALISATION

We are concerned that the issue SOE capitalisation remain unresolved. We believe that it is appropriate for the Minister of Finance in consultation with his cabinet colleagues to evaluate the impact of SOE's on the fiscus and government's approach to making them financially viable. We further urge government to clarify its stance so as to restore confidence in the governance of these institutions, including the filling of key vacancies.

These are some of our key expectations of the Budget on a number of cross-cutting issues. We are cognisant of the pressures facing the fiscus and are committed to galvanising private sector support for the National Programmes in President Zuma's "Year of Action". At the heart of the approach, is a need to strengthen an enterprise-driven economy. We wish Minister Gordhan every success in delivering his first full budget speech on Wednesday.

Ends

15 February 2010

Enquiries:
Jerry Vilakazi
CEO
BUSA