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IMMEDIATE RELEASE

BUSA WELCOMES POSITIVE BUDGET

BUSA shares the realistic assessment of South Africa's economic prospects offered by the Minister of Finance in his budget speech today. The budget speech charted a continued course of sound fiscal management. The three principles of a counter-cyclical fiscal stance, of long-term debt sustainability and inter-generational equity are sensible and Minister Gordhan has remained true to them in his budget proposals.

BUSA is encouraged by several business friendly components in the budget speech. BUSA therefore welcomes the Minister's emphasis on the importance of competitiveness to the economy in order for us to achieve higher levels of inclusive growth. Business concurs that the degree to which the creation of decent jobs will be possible will depend on the competitiveness of our enterprises. We further share sentiments implied in his speech that our rates of investment and exports must be promoted in order to support an environment in which such higher job-rich growth is possible.

In view of the essential role which infrastructural spending must play in supporting South Africa's economic performance, BUSA endorses the emphasis that the budget speech places on infrastructural spending. If the impact of planned infrastructural spending on the economy is to be maximised, it will be essential to expand the use of public private sector partnerships in order to build capacity to implement programmes and projects. Consequential rises in tariffs and user fees must nonetheless be carefully monitored.

The involvement of the Development Bank of South Africa (DBSA) in the operationalisation of the R9bn jobs fund and the distinction made between the jobs fund and the R5bn youth employment subsidy are welcome clarifications. We also reiterate our positive reaction to the R20bn in tax incentives for new investments.

We do however believe that every effort should be made to ensure that small business can share equitably in these allocations. It is important that these incentives should prioritise employment creation in the private sector, as this will





be more productive in promoting employment throughout the economy over the medium and long term. This being said, BUSA welcomes targeted financial and enterprise development programmes, as well as the tax relief measures for micro and small businesses. We particularly, in principle, welcome the new Khula Funding idea model and we would wish to engage with more in the coming months. We believe that the additional R24bn allocation for skills development and education is a very positive development. We would like to see further action on legislative reforms to ease the cost of doing business (for small business in particular), which has been placed on the agenda in previous budgets as well.

BUSA supports the measures announced to combat fraud and corruption. We agree with the Minister that there is a shared responsibility to prevent corruption and BUSA will continue to implement its national anti-corruption campaign vigorously.

We appreciate Minister Gordhan's frankness concerning the likely high costs of the implementation of the National Health Insurance (NHI) scheme and his commitment to a consultative and a phased approach. It is important that the financial sustainability of any NHI scheme should rest on sound foundations. We would have appreciated further details on government's intention to link social grants to the promotion of economic activity.

We believe that significant debate should centre around the moderation of the public service wage bill. Research has shown that the differential between public service and private sector salaries based on formal, non-agricultural employment has in 2010 reached almost 45% in favour of the former. These trends are relevant to the challenges of poor delivery and inadequate capacity in the public sector.

Ends.

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