

INSIDE THIS ISSUE

- Spotlight: NEDLAC VIRTUAL SUMMIT 2020
- Looking ahead

KEY: STRATEGIC DRIVERS

-  Transformation
-  Enabling laws and regulations
-  International positioning
-  Social security
-  SME development
-  Energy
-  Labour market development
-  Progressive pro-growth taxation
-  Enabling trade regime
-  Education and skills

SA FACES ECONOMIC, FISCAL CRISIS

THE ECONOMIC Reconstruction and Recovery Plan (ERRP) required some hard decisions to attract investment, reduce state expenditure and enable business growth,

BUSA CEO Cas Coovadia said considering that the South African economy was in recession pre-Covid-19 and was downgraded to sub-investment grade status during Covid, which had exacerbated this, the country now faced a severe economic crisis.

“We also face a severe fiscal crisis. Social partners must work together on this, but the levers ultimately lie with the government and they need to lead,” said Coovadia.

BUSA said the government must start implementing immediately in areas that they could do so. Coovadia said these included issuing a Request for Proposal (RFP) for the next tranche of renewables, sorting out licensing for mining exploration, bringing forward the auction of spectrum and sorting out efficiency issues at the Durban port, amongst others.

“These can be implemented immediately and would, if implemented, start creating an environment for investment, with the South African financial sector bidding in the RFP process, data becoming cheaper and networks more available, investment in mining exploration and more efficient and cheaper processing of goods at the Durban port.”

The government’s economic reconstruction and recovery plan ERRP for the country’s economy is aimed at stimulating equitable and inclusive growth.

South Africa’s economy has experienced stagnation, which has put a strain in the effort to tackle the historical structural inequalities, unemployment and poverty. There is a consensus among the social partners that there should be substantial structural change in the economy that will unlock growth and allow for development.

Coovadia said that the social partners worked well together in the country’s economic relief stages, through a Nedlac Covid Rapid Response Task Team (RRTT), which met every Tuesday for three hours until October. By mid-November, it met every fortnight.

📍BUSAsite: <https://.org.busaza/>; Twitter, @BusinessUnitySA; and Facebook, @BusinessUnitySouthAfrica

NEDLAC VIRTUAL SUMMIT 2020

The National Economic Development and Labour Council (Nedlac) hosted its 2020 summit on the 8th of December. BUSA Vice President Martin shared his remark he said “this is the first time in the history of Nedlac that its summit is being convened virtually. This is an indication of the extraordinary time our country, and the world, finds itself in! The Covid-19 pandemic has had a devastating impact on our socio-economy. However, we must remind ourselves that our economy was in recession pre – Covid and the pandemic has exacerbated an already bad situation. The economic trajectory for our economy and the social implications are even more challenging and we must put our economy onto a sustainable growth path so that we achieve growth rates of between 4% and 6% if we are to get onto the first rung of a long ladder to prosperity for all our people. This is an extremely demanding requirement, given that we have been downgraded to junk status and have made little to no progress in addressing fundamental structural issues constraining growth over the last several years.”

He added that we need to reflect on some of the key indicators which demonstrate the dire situation our country is in:

Pre-Covid Post-Covid

GDP contracted by 1.4% in 4Q2019 Expected to shrink by 8% in 2020

GDP contracted by 0.8% in 3Q2019

SA was in recession, now in a depression where even if we take the necessary steps it is expected it will take us three years to return to pre – pandemic levels of GDP.

Unemployment measured by the expanded definition has grown from 38.7% in 2019 to 43.1% currently with our youth the most disadvantaged by the impact of the pandemic.

Budget deficit 2019/20 at 4.5% expected to grow to 6.8% of GDP

Debt to GDP 2019 of 62.2%, Forecast of 81.8 % of GDP, growing to nearly 100% in the next three years with attendant debt service costs that will significantly constrain crucial areas of expenditure. This is before we include debt and contingent liabilities at the level of local authorities and State-Owned Enterprises.

He added that BUSA has had numerous meetings with government over the past three years in which we have raised the crisis confronting the country. We have consistently suggested that government needs to acknowledge the severity of the crisis and act with urgency to create an environment which maximises private sector investment and ensures the utilisation of available capacity and expertise. We have consistently impressed on government the need for public-private sector partnerships to enable government to fulfil its mandate of building social infrastructure and delivering services to people, while the private sector is optimally positioned to invest, create, and grow businesses, create jobs, and contribute to the fiscus.

He also mentioned that Nedlac has played a critical role during the Covid pandemic in bringing social partners together, through the Nedlac Covid Rapid Response Task Team (RRTT), where we have worked together urgently and harmoniously to address the impact of Covid-19. In partnership, we have, addressed several issues including COVID TERS, managing the various lockdowns, determining, and implementing behavioural change protocols and engaging government on restrictions to many sectors of the economy that have been particularly impacted on by the virus and lockdown measures. BUSA believes that this process has worked well and has reinforced the successes demonstrated by the country’s response to the pandemic. It has provided a basis for future cooperation and partnership as we continue to deal with the many socio-economic challenges confronting our country. On the back of this, in agreement with the President and our social partners, we started engaging on the economic recovery for the short, medium, and long term. These engagements have been more challenging, and we have not made as much progress as the situation requires in agreeing upon, and implementing, fundamental issues imperative for economic growth.

As South Africa considers the path towards recovery and the risks the government’s fiscal policy poses to that recovery – the capacity and cost of the state and in particular the public sector wage bill is a crucial factor.



Econpol & Subcommittees

BUSA STANDING COMMITTEE ON ECONOMIC POLICY virtual meeting scheduled to take place on **03 December 2020** took place chaired by Martin Kingston he opened the meeting and welcomed those present at the end of the meeting he indicated that the next sub-committee is scheduled to take place **16 March 2021**.

1. BUSINESS FOR SOUTH AFRICA (B4SA) UPDATE

1.1. The Chair reported that following the Econpol meeting on 1 September 2020, B4SA had done a lot of work on improving the economy notwithstanding the prevalence of the global pandemic (Covid-19).

1.2. The Chair indicated that the work of B4SA received great coverage following the development of its Economic Recovery strategy.

1.3. The Chair reported that they had been a 7-aside constituted to look at the areas of alignment from Government's Economic Recovery Action Plan.

1.4. The Chair cautioned members about the possibility of and the impact of the Covid-19 second wave and encouraged members to adhere to Covid-19 safety precautions / restrictions.

1.5. The Chair thanked everyone for participating in B4SA and indicated that the work of B4SA and its various committees was expected to cease to exist by the end of the year.

Action

BUSA to circulate the Nedlac Economic Recovery Plan.

2. NEDLAC

2.1. Olivier Serrão reported that Minister Ebrahim Patel had re-tabled the draft Companies Amendment Bill at Nedlac to engage on areas of previous disagreement in the Nedlac Report, particularly issues such as Worker Representation on Company Boards, Share Buy-backs, Business Rescue, etc.

2.2. Olivier Serrão indicated that the first meeting with Minister Patel on the Draft Companies Amendment Bill took place on Thursday, 16 November 2020.

2.3 Olivier Serrão further indicated that BUSA had scheduled an internal meeting to develop a business position on 4 December 2020 in preparation for the meeting with the Minister on 11 December 2020.

2.3. Olivier Serrão reported that the Nedlac Trade and Industry Chamber (TIC) Strategic Session with the Minister of Trade, Industry and Competition (DTIC) Ebrahim Patel was scheduled to take place during the first quarter (Q1) of 2021.

BUSA Standing Committee on Economic Policy continues

2.4. Olivier Serrão reported that the Nedlac Task Team on the National Policy on Comprehensive Producer Development Support (NPCPDS) had concluded its work.

2.5. Olivier Serrão stated that the Trade and Industry Chamber had agreed that there would be engagements with the National Committee on Trade Facilitation (NCTF) on a quarterly basis on the implementation of the Trade Facilitation Agreement (TFA) and related matters.

2.6. Olivier Serrão reported that Public Finance and Monetary Policy Chamber (PFMPC) had an engagement with the SARS Commissioner on dealing with the stabilisation of SARS and the streamlining of revenue collection.

Action

BUSA to circulate a draft Business position on the Companies Amendment Bill for input / comment and mandate to the members of the standing committee.

3. SUB-COMMITTEE ON THE ENVIRONMENT

3.1. The report on the work of the Subcommittee on Environment (Annexure 3), presented by Jarredine Morris, was noted.

3.2. Jarredine Morris reported that the Nedlac Task Team on Climate Change was in the process of concluding its work and indicated that the methodology for mandatory Carbon Budgets was anticipated for piloting and engagement before the end of Quarter 1 (Q1) of 2021.

3.3. Jarredine Morris further reported that Cabinet had constituted the Presidential Climate Change Coordinating Commission and indicated that BUSA would be represented by Shamini Harrington.

4. SUB-COMMITTEE ON ENERGY

4.1. The report of the BUSA Energy Sub-Committee (Annexure 3), presented by Jarredine Morris was noted.

4.2. Jarredine Morris reported that currently, BUSA was engaging with NERSA, DMRE and Operation Vulindlela (OV) on the options for the development of a licence lite process for smaller generation installation, a clear process / guidelines document for registration and licencing, on Section 34 Determination or Ministerial Consent to Deviation and, on the development of Wheeling and Trading Frameworks (Third-Party Use of System Charges Regulatory Rules).

5. SUB-COMMITTEE ON TAX

5.1. The report of the BUSA Tax Sub-Committee (Annexure 4), presented by Olivier Serrão was noted.

BUSA Standing Committee on Economic Policy continues

5.2. Olivier Serrão reported that BUSA had sent a letter to the Minister of Finance requesting a high-level meeting to discuss matters of concern to business.

Action

Following Olivier Serrão's report on the proposed high-level meeting with the Minister of Finance, members of the standing committee were requested to forward their issues / concerns to be discussed at the meeting with the Minister to BUSA as soon as possible.

6. SUB-COMMITTEE ON TRADE, TRANSPORT & LOGISTICS

6.1. The report of the BUSA Trade, Transport and Logistics Sub-Committee (Annexure 5), presented by Olivier Serrão, was noted.

6.2. Olivier Serrão reported that BUSA had concluded the studies on South Africa / United States Trade and Investment and South Africa's Positioning in the World Trade Organisation (WTO).

6.3. Olivier Serrão further reported that the African Continental Free Trade Area (AfCFTA) negotiations had been ongoing and indicated that the 13th Extraordinary Session of the African Union Heads of State and Government on the AfCFTA was set to take place on 05 December 2020.

6.4. Olivier Serrão stated that the AfCFTA is set to start trade on some products by 1 January 2021.

6.5. Olivier Serrão reported that BLSA and BUSA have agreed to partner to develop a programme with Tutwa Consulting to raise awareness and educate businesses on the benefits of the AfCFTA, as well as solicit inputs on key outstanding areas of negotiation amongst other matters, competition policy, and Trade in Services.

6.6. Michael Lawrence reported that the Women in Trade Working Group had developed a document for comment and was in the process of developing a work plan and the terms of reference for the working group before the next meeting of the Trade, Transport and Logistics Subcommittee meeting in March 2021.

6.7. Tyson Sibanda reported that the Nedlac Task Team on Road to Rail had concluded its work and had shared the final report with the members of the Trade, Transport and Logistics Subcommittee.

6.8. Tyson Sibanda stated that BUSA had submitted its comment on the draft Regulations on AARTO to the Department of Transport (DoT).

6.9. Tyson Sibanda further stated that a Nedlac task team on the Draft AARTO Regulations had been constituted and expected to engage on the draft Regulations as early as mid-January 2021.

Action

BUSA to circulate its studies on South Africa / United States Trade and Investment and South Africa's Positioning in the World Trade Organisation (WTO) to the members of the standing committee.

■ The End!

■ CONTACTS

For queries, contact Nomaza Spelman on
Nomaza.Spelman@busa.org.za / 011 784 8000