



Monday, 28 February 2022

A BUDGET FOR GROWTH AND EMPLOYMENT

Dear Fellow South African,

Last week, Minister of Finance Enoch Godongwana presented a Budget that supports and reinforces the programme of action I announced in the State of the Nation Address (SONA) to grow the economy and create jobs.

The Budget provides details on how government plans to raise money and where it is going to spend that money to improve the lives of South Africans.

Few South Africans need to be reminded how devastating the COVID-19 pandemic has been for our economy. Despite the substantial economic and social support package we introduced in 2020, businesses have gone under and as many as two million people have lost their jobs. Many households have been spared from hunger only due to the increases in social grants.

As the pandemic has battered the economy, so it has further worsened the country's financial position. At the height of the pandemic, less revenue was collected and more money had to be spent on strengthening our health response and providing social support. As a result, the country had to borrow more and do so at a greater cost.

The pandemic followed a decade of huge increases in public spending, even as economic growth remained low. One of the most important tasks of this administration has been to restore our public finances to health so that government can perform its role effectively.

As I said in SONA, the only way out of this dire situation is to grow the economy. And the most effective way to reduce poverty and hunger in a sustainable way is to create employment.

That is why the pursuit of growth and jobs is at the centre of the programme outlined in both SONA and the Budget.

This programme includes far-reaching economic reforms that promote investment and growth. These reforms will ensure that our country has enough affordable electricity to meet growing demand, that our ports and rail lines are more efficient, that we improve access to faster, cheaper broadband, that homes and businesses have the water they need, and that we can attract the skills and investment we need to create a productive and dynamic economy.

At a time when public resources are constrained, these reforms will enable greater private investment in the vital infrastructure that our economy needs to grow. This takes place alongside a revised framework for public-private partnerships and innovative new ways to blend public and private resources for infrastructure investment.

We will do this in a way that improves the performance and financial position of key state owned enterprises. This will place these enterprises in a far better position to fulfil their developmental mandates, while ensuring that critical national infrastructure remains firmly in state hands.

To support this work, R17.5 billion was allocated in the Budget for catalytic infrastructure projects over the next three years. This will, among others, support the upgrading of roads, bridges, water and sewer, transport, schools, hospitals and clinics.

The Budget supports the efforts announced in SONA to unleash the potential of small, micro and informal businesses.

For example, R15 billion has been set aside for a redesigned loan guarantee scheme that will make it easier for small businesses to access funding to 'bounce back' from the effects of the pandemic.

The Employment Tax Incentive, which has been so successful in giving many young people their first jobs, is being expanded to encourage small businesses to hire more people.

Recognising the importance of basic services both for quality of life and for investment and business activity, the Budget significantly increases the allocation for service delivery. For example, it adds an extra R30.7 billion to local government allocations for basic municipal services.

All of these measures encourage the growth and expansion of firms and support the establishment of new firms to create new jobs.

These efforts will, however, take time to absorb the millions of South Africans looking for work. We have therefore extended the Presidential Employment Stimulus, which has provided work and livelihood opportunities to over 800,000 people in its first 16 months. An additional R18.4 billion has been allocated over the next two years so that the stimulus can continue to provide vital income, skills development and work experience to hundreds of thousands of unemployed, mostly young, people.

The Budget also supports the extension of the R350 Social Relief of Distress Grant for another year. This will provide basic support for around 10 million unemployed beneficiaries as they look for work. This grant significantly broadens the country's social safety net, with around 46% of the population now receiving grants.

In short, this is a Budget that seeks to leave no one behind.

Even with our severe fiscal situation, the Budget directs resources to areas with the greatest potential for growth and jobs, specifically structural reform, infrastructure and support for small businesses. At the same time, it supports young people through public and social employment programmes, and extends social protection for the most vulnerable.

While it promotes growth, the Budget also charts a clear path towards sustainable levels of public debt. The interest rate that we pay on our debt is higher than our growth rate, creating a risk that debt could spiral out of control if not managed carefully. Our country now spends more on debt service costs than on health, basic education and policing.

Unsustainable levels of debt are bad for all South Africans, but for the poor in particular. The cost of debt reduces the amount of money that government has to improve services, provide social protection and invest in social and economic infrastructure.

With this Budget, we are now on track to reduce our budget deficit – and hence our borrowing requirements – while responding to the challenges that South Africans face, now and into the future.

The Budget demonstrates our ability and commitment to strike this balance. It is a difficult balance to achieve, but with more efficient use of resources, ending wastage and corruption, and shifting spending from consumption to investment, we can achieve fiscal sustainability while continuing to support growth.

Our country's path to recovery is steep and will be extremely challenging. But with the measures we set out in SONA, with the Budget that has been presented, and with the cooperation and involvement of all South Africans, we will succeed.

With best regards,



To register for your COVID vaccination or for more information, visit sacoronavirus.co.za, call the toll-free line on 0800 029 999, send the word "register" via WhatsApp to 0600 123 456 or dial *134*832# and register via USSD. You can also walk-in to your nearest vaccination site and be registered and vaccinated on the spot.



Copyright © 2022 The Presidency, All rights reserved.

Our mailing address is:

The Presidency
Union Buildings
Government Avenue
Tshwane, Gt 2001
South Africa

Subscribe to our newsletter