

MTBPS focus: finance minister takes tough stance

By [Danette Breitenbach](#)

11 Nov 2021

The MTBPS charts a course that demonstrates government's unflinching commitment to fiscal sustainability, enabling long-term growth by narrowing the budget deficit and stabilising debt.



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Minister Enoch Godongwana delivered a prudent budget today that is good for business with a reduction in government spending. There will be a contraction of government spending over the next three years, with investment projected to expand.

The minister said the MTBPS was a call to action to renew the promise to a country many fought for. "We will deal with the challenges we face, especially poverty and unemployment but we will not depart from government policy and what we do will depend on the availability of funds."

The budget is a continuation of the budget set in February by the former finance minister.

Economic growth

The country's gross domestic product growth is forecast at 5.1% in 2021 from a 6.4% contraction in 2020. This is off the back of good commodity prices. However, the minister warns that commodity prices are softening.

The 2021 Budget deficit stands at 7.8%. Gross debt is 69.9% of GDP in 2021, or R4.31-trillion, growing to 77.8% of GDP in 2022.

Covid-19 has caused severe disruptions to the global economy both in terms of lives lost and the economy. “The pandemic will leave long scars on the global landscape for a long time, “ said the minister.

The vaccine roll out is important for the recovery of the economy and there is no room for vaccine hesitancy.

The July riots also exposed the fragility of the country’s social, economic and political compact. Government has made R3.9m available to the South Africa Special Insurance Risk Association to settle claims from the unrest.

A fast growing economy will allow for greater revenue collection to meet the country’s challenges. Economic reforms are imperative to encourage production, investment, employment, and competitiveness.

Tough love for SOE

The State Owned Enterprises (SOE) will be supported but with tough love. Therefore no additional funding will be given to any SOE. He added that SOE that are no longer relevant will be or let go.

“SOE should be enablers of the economy, but many have failed to deliver and are managed very badly as well as devastated by state capture. Government has been bailing out SOE at the expense of other projects,” said the minister.

Infrastructural support

Public infrastructural investment needs to be a partnership between the public and private sector to fill the funding gap.

Social Relief Grant

The social relief of distress grant ends in March 2022 and then the government will decide if it is to be extended. This will depend on the ability of government to fund this. The social security net will be discussed in the 22/23 budget.

“Between now and the end of March 2022, government is going to decide what to do. Not Treasury,” said the minister

Debt service

Debt has continued to rise, and debt service will be the largest portion of spending by 2024/25 reaching R368bn, crowding out spend necessary for expenditure on essential services as health, social development and peace and security.

There are some positive developments as tax collection is upward by R120bn from R1.4tn in February to R150bn.

Unemployment

Unemployment is causing economic recovery to lag. The state has an important role in mitigating the impact of this crisis. Funding will be allocated in the 22/23 budget.

Free education

In support of free higher education, this budget has been increased to R56.8bn in the current year bringing the total funds allocated free higher education to R128bn.

Access to retirement funds

Increase flexibility for partial access to retirement funds require legislative changes. National Treasury publish a discussion

document to get input before the next budget.

Service delivery

The provinces need to strengthen service delivery. Local government is at the coal face of the nation. Municipalities receive more than R350bn from the national fiscus to deliver efficiencies. The 2022/23 budget will deal with this.

State Capture

The Zondo Commission will deliver its report soon and the government will prosecute these involved in state capture.

Structural reforms

"The durability of the recovery will depend on the implementation of a broad range of structural reforms that inspire confidence and create an enabling environment for accelerating and sustaining economic activity," said the minister.

In conclusion the minister said: "Key is to resolve to push ahead to unlock structural efficiencies, including electricity and fixing Eskom. To grow the economy, we need to work together

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