

SOUTH AFRICAN CHAMBER OF COMMERCE AND INDUSTRY

33 FRICKER ROAD
ILLOVO
2196
info@sacci.org.za
www.sacci.org.za



PO BOX 213
SAXONWOLD,
2132
+27 11 446 3800 (PHONE)
+27 86 528 2037 (FAX)

SACCI Media Release

Thursday

23 February 2023

SACCI statement on the budget speech

The South African Chamber of Commerce and Industry (SACCI) notes and welcomes the budget speech by the Minister of Finance on the 22 February 2023.

It is not an easy budget as the minister had to juggle different balls and competing and conflicting needs from various departments and in that regard, he did what he could under the difficult circumstances.

The issue is not so much what the minister of finance can do with allocations. The issue is what is the government strategy to meet the objectives of sustainable growth that the minister mentioned in his opening remarks. There appears to be a misalignment between a state that needs to grow its economy inclusively and create quality jobs, and the plans and resources including money required to deliver on those plans.

Therein lies the challenge with this budget. We are concerned about the very low level of proposed investment in economic development (R237billion) vis a vis the spend on social services (R1,3trillion). The industrialization, infrastructure, job creation spends and in particular the urgent and required spend in skills development to meet the requirements of the new economy is very low, given the objective of growing the economy.

Note that the government proposes to spend almost R19bn on education administration whilst only spending R13bn on technical & vocational training in a country that has industrialisation as an objective, and millions of young people who are either out of work and not even in tertiary institutions of learning. This is a disconnect and major risk facing the republic.

Not much was allocated to the development of small business and start-ups. This is an area that would give South Africa the biggest opportunity to grow jobs and the economy. The amounts allocated to the Development Financial Institutions (DFI's) tasked with this area are too minute in comparison with what is being spent on welfare and the overall objectives to industrialise and grow the economy. Small business development does not appear to be a high priority for the government given the low level of investment.

Non-Profit Company (NPC): Reg No. 1945/20230/08 VAT No. 4840111670

Directors: M Xulu (President), N Malefane (Deputy President), N Pollock (Vice President), S Conradie (Treasurer), M Motsumi (Chamber Forum Chair), L Blackbeard, C Dlamini, N Grimsel, H Ndlovu, M Jacobs, A Mahomed, K Madingoane, V Pierce, K Timmal, N Van Wyk, A Mukoki (CEO)

More importantly, this is no longer a process of allocating budgets requested by various departments. We believe the time has come for the finance department to have better data insights, into the various pieces of expenditure required. For example, the police service is allocated R112billion.

It is important to have specific data on what line items support this expenditure against what desired outcomes. Is money being spent on personnel or crime fighting or telephones or uniforms. We need to have that granularity to get a sense on how to extract better value. Why do the police drive out to go arrest a suspect when they have not checked if that suspect is willing to come in themselves at their own cost?

Similarly do courts waste money on postponing cases and is there a way that the minister of justice can conduct research into the effectiveness of the admin court activity and its impact on costs, and how this can be done without compromising the administration of justice? Is the court admin, IT, and systems environment optimal from a cost and expenditure point of view? The data around these and other issues can get the minister to have better insight that can lead to management action.

The budget reflects a very high level of debt servicing costs. A significant amount of the debt in State Owned Entities (SOE's), municipalities has arisen as a result of mismanagement. The Auditor General has reported a number of municipalities with unacceptable levels of poor management. Throwing good money at the problem is not a solution if the root cause is not addressed.

South Africa needs to deal with the root cause which is lack of a meritocracy in the appointment of executives throughout government and the SOEs and the creation and implementation of the right values and culture for high performance. Until a meritorious system is adopted, these problems will continue to dog SA and skew budget allocations.

Contact: Alan Mukoki
SACCI CEO
Cell:082 551 1159

Non-Profit Company (NPC): Reg No. 1945/20230/08 VAT No. 4840111670

Directors: M Xulu (President), N Malefane (Deputy President), N Pollock (Vice President), S Conradie (Treasurer), M Motsumi (Chamber Forum Chair), L Blackbeard, C Dlamini, N Grimsel, H Ndlovu, M Jacobs, A Mahomed, K Madingoane, V Pierce, K Timmal, N Van Wyk, A Mukoki (CEO)