

Gigaba promises policy certainty and stabilising SOCs

By [Linda Ensor](#)

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Finance Minister Malusi Gigaba says the two most important interventions the government can use to restore confidence and re-ignite growth are providing policy certainty and stabilising state-owned companies (SOCs).

Gigaba, who was speaking in the National Assembly, argued for the finalisation of mining policy, broadband roll-out, digital migration and spectrum allocation.



Most of SA's state-owned companies, including the public broadcaster, are operating at huge losses. Source: sapromo.com

The fiscal risks posed by SOCs also need to be addressed urgently, he said when delivering his maiden budget vote speech. He announced that the budget deficit for 2016-17 was marginally lower at 3.8% of GDP than the 3.9% estimated in the February budget.

Gigaba also stressed the need for SA to avoid the trap of incurring levels of public debt it cannot afford to repay. "The prospect of sustained low growth over the medium term remains the greatest risk to fiscal policy," he told MPs. "Since 2009, spending has increasingly been funded by borrowing. Measured consolidation is needed to ensure fiscal sustainability, and we are committed to this path."

Gigaba said Treasury first set the expenditure ceiling in 2012 and has consistently met the targets since then. The government wage bill will stabilise as a targeted portion of the budget, largely as a result of measures to reduce

appointments in non-critical posts: "In the period ahead, the government will focus on strengthening budget execution and the in-year monitoring of spending."

The Office of the Chief Procurement Officer has already achieved R7bn in savings as a result of re-negotiation of the government's biggest contracts, along with re-negotiating rates with airlines, hotels and car rental companies. This included restructuring mobile and fixed-line telecommunications and smarter use of technology.

An additional R15bn in savings is anticipated over the next three years through re-negotiation of government leases, collaborating with the Department of Health in reducing the cost of medical equipment, health services and medicine. Savings would also come from collaborating with the Department of Basic Education in reducing costs of stationery, school books and furniture.

Gigaba emphasised the need for transformation of the financial sector, saying what has emerged from recent parliamentary hearings on this is the need to re-invigorate the Financial Sector Charter to ensure that all South Africans participate fully in the ownership, management, supply and take-up of financial services.

The hearings had also noted the need to transform the financial sector so that it serves all South Africans, supports small- and medium-sized enterprises (SMEs) and ensures financial institutions procure from SMEs and emerging businesses.

"Increased attention must be given to mutual organisations that provide financial services, such as stokvels, burial societies and co-operatives, to build these into credible competitors to the highly concentrated banking and insurance sectors."

Source: *BDpro*

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