MINISTRY: FINANCE
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT: 2014 BUDGET CONTINUES TO SUPPORT ECONOMIC GROWTH AND JOB CREATION

The Minister of Finance, Pravin Gordhan, today (Wednesday, 26 February 2014) tabled in parliament a budget that continues to provide support for economic growth and job creation.

Gordhan said in the budget speech: "The National Development Plan reflects the priorities underpinning this budget, and prepares the ground for the next phase of our economic and social transformation. Central to the NDP is our commitment to partnership – to a social compact to reduce poverty and inequality, and raise employment and investment. To make more rapid progress in creating jobs and reducing poverty, we have to grow our economy at 5 per cent a year or more.

South Africa needs faster and more inclusive economic growth to reduce unemployment, poverty and inequality. But faster growth over the medium term requires bold decisions to change the structure of the economy to increase the level of competition and innovation, raise the level of savings, reduce the cost of transport and communication, improve regional trade and increase integration into the global supply chains.

The South African economy is forecast to grow by 2.7 per cent this year (2014) and reaching 3.5 per cent by 2016. The improved growth prospects for the South African economy over the next three years are tied to the improved outlook for the global economy, sub-Saharan Africa's strong economic growth as well as the removal of production and transports constraints as major infrastructure projects, especially in electricity, transport and water, come on stream. The removal of the production and transport constraints will improve South Africa's ability to increase production and exports, taking advantage of the global recovery. Government will continue to invest in infrastructure, with a further R844 billion projected for the maintenance and building of new infrastructure over the next three years.

To boost economic growth, transformation and job creation, the budget makes R35 billion available for industrial development, which includes R6.5 billion for SMMEs, R5.4 billion for provincial investment agencies and R2.3 billion for various research and development support initiatives. This does not include tax and other incentives. This funding will support the Industrial Policy Action Plan (IPAP) and its sector strategies such as the Automotive Production and Development Programme, which subsidises international vehicle manufacturers to incorporate local producers into their supply chains, and the Clothing and Textile Competitiveness Programme, which aims to counter the effects of illegal imports and increase domestic producers' participation in local and global markets. Over the next three years, special economic zones are allocated R3.6 billion to promote value-added exports and generate jobs in economically disadvantaged parts of the country. Preparatory work is underway to attract investors to the zones through tax incentives, infrastructure enhancements and other initiatives.

Another initiative is the agricultural policy action plan to support the NDP target of creating 1 million jobs in agriculture by 2030,. Expenditure over the medium term will focus on improving agricultural productivity. More than R7 billion will be spent on conditional grants to provinces in support of about 435 000 subsistence and 54 500 smallholder farmers, and to improve agricultural extension services. Since April 2012, 200 farms have been recapitalised through government grants and 728 farmers have received training. Government aims to recapitalise another 867 farms by 2016/17.

To boost domestic food production and reduce reliance on imports, the Fetsa Tlala initiative aims to bring an additional 1 million hectares into cultivation by 2019, creating 300 000 jobs.

The private sector remains the biggest driver of job creation, but there is also a role for government in supporting employment creation as well as providing short-term work opportunities through public and community works projects.

One such innovative approach to support for job creation is the Jobs Fund which provides a model for tackling unemployment and promoting growth by matching private sector funding for projects that will generate sustainable jobs and spur economic activity. Among the current initiatives supported by the Jobs Fund are agricultural projects working on linking farmers to agricultural produce markets in rural areas as well as projects that provide support to emerging entrepreneurs in the townships. Thus far the fund has contracted 61 projects that will receive grant funding of R3.2 billion over the next three years. These projects are expected to create 96 102 permanent jobs and place 48 933 individuals into existing jobs by 2016.

The other approach is that of the Employment Tax Incentive (ETI) which was launched in January 2014 as an incentive that subsidises the salaries of newly recruited workers aged 18-29. The ETI should support a total of 240 000 jobs over the next three years.

While jobs created by the private sector as the economy grows are the cornerstone of government's approach to job creation, public employment programmes also contributes to the reduction of joblessness. These initiatives play an important role in promoting economic activity among the unemployed, and fulfill a wide range of social, economic and environmental objectives. The third phase of the Expanded Public Works Programme will be launched in April this year. Over the next five years, it aims to create 6 million jobs of short to medium term duration, up from 4 million during the past five years.

Other measures in support of job creation are:

• National Rural Youth Service Corps, which offers rural youth a two-year skills programme;

• National Youth Service Programme, which rains young people to be artisans for the built environment; and

• Vuk'uphile, which trains contractors in labour-intensive construction techniques.

Issued on behalf of the Ministry of Finance
Date: 26 February 2014