

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 197 [NW214E]
DATE OF PUBLICATION: 12 FEBRUARY 2015

197. Mr N F Shivambu (EFF) to ask the Minister of Finance:

Whether the National Treasury has a strategic and workable programme to transform the structure of the economy to meet the demands of the people for economic freedom; if not, why not; if so, what are the relevant details?

NW214E

REPLY:

Structurally transforming the economy to meet the needs of the people means changing it in such a way that economic opportunities are provided for all people either through formal employment or self-employment. This in turn entails changing the sectors / industries where economic activity occurs (more labour intensive, less capital and energy intensive), and changing the structure of sectors (less concentrated, allowing the entry of new firms). Investment into these new sectors or new firms is critically required which requires a competitive and friendly landscape for business to invest and employ individuals and that productivity can be raised so that economic activity can expand. For productivity to improve, education and skills levels need to rise and the cost of doing business and the cost of living to fall. It is important to make spatial living patterns more dynamic, public transport more ubiquitous and user friendly, and to provide better service delivery generally.

The National Development Plan points out that faster economic growth and job creation require a broad shift from consumption to investment in South Africa. This investment should be in dynamic sectors that transform ownership and economic structure, and draw in a larger proportion of the currently economically inactive population. Government's medium-term strategic framework (MTSF) outlines programmes to improve productivity and competitiveness across the economy, and improve the competitive landscape for business by reducing red tape, promoting investment and encouraging innovation.

The National Treasury supports these aims by:

- a) ensuring that key economic and social programmes and critical infrastructure are funded, and that the money is spent properly and in a manner consistent with stated aims and objectives;
- b) by ensuring sound macro prudential policies and that fiscal balances are sustainable;
- c) through the tax regime and various tax incentives; and
- d) by ensuring that state owned entities are financially sound and able to supply services to enable the business environment and meet the demands of the people.

In this regard the National Treasury can highlight various initiatives that it is doing to improve growth conditions, and facilitate investment into new sectors or by new firms, that ultimately bring about structural transformation. Various incentives and programmes have been introduced to assist job seekers and build skills. These include the employment tax incentive for young work seekers, the National Education Collaboration Trust, the Jobs Fund, and sector-specific training programmes. Several regulatory reforms and administrative improvements have been completed to enhance business conditions and confidence – the National Treasury has provided funding or supported the work. The establishment of special economic zones, various tax incentives and grant funding for upgrading equipment and processes should assist local firms in become more competitive. These include the Manufacturing Competitiveness Enhancement Programme (MCEP) and section 12i of the tax incentive. The turnover tax and venture capital tax incentive were revised in 2014 and the R&D tax incentive has approved 414 projects valued at R2.9 billion in 2013/14. In general, Government has increased expenditure on economic infrastructure – including repairing roads, building of electricity sub stations and water treatment facilities. In terms of social infrastructure, more schools, universities, hospitals and clinics have been built.

Many more programmes and tax incentives have been detailed in the Budget review.