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2023 STATE OF THE NATION (SONA): FINANCE AND PUBLIC ACCOUNTS FUNCTION

President Ramaphosa delivered his seventh State of the Nation Address (SONA) during a hybrid Joint Sitting of the National Assembly (NA) and the National Council of Provinces (NCOP) on 9 February 2023.

The President highlighted several challenges that South Africa (SA) faces such as electricity shortages that have caused immense damage to the economy, as well as its dampening effects on employment and economic recovery from the COVID-19 pandemic and public unrest in July 2021. The pandemic negatively affected livelihoods and increased poverty.

This Bulletin provides an overview of issues affecting the finance sector as highlighted during the SONA for consideration by the relevant committees.

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SONA PRIORITY AREAS FOR THE FINANCE AND PUBLIC ACCOUNTS FUNCTION

- Financial solutions to deal with electricity shortages through investments in solar energy for households and businesses.
- Debt management solutions to deal with ESKOM's R400 billion debt in a manner that is equitable and fair to stakeholders and ways to enable the utility to make investments in maintenance and transmission.
- Financial initiatives to stimulate the economy from effects of COVID-19 such as the bounce-back loan scheme administered by banks and other financial institutions, and guaranteed by government, for companies that need finance to recover.

KEY ISSUES

- ✓ The energy crises will require investments into renewable energy sources
- ✓ Households and businesses must be encouraged to invest in solar energy sources through tax incentives
- ✓ ESKOM needs to invest in maintenance and transmission
- ✓ Accelerate private investment in generation capacity
- ✓ Growth and the creation of jobs in the economy will be driven by small and medium-sized enterprises, cooperatives and informal businesses
- ✓ Tax incentives are needed to encourage businesses to hire more
- ✓ The Auditor-General will be brought in to ensure continuous monitoring of expenditure, in order to guard against any abuses of the funds needed to attend to the energy shortage disaster.

SONA PRIORITY AREAS FOR THE NATIONAL TREASURY

Government debt management

- The President announced that the Minister of Finance will continue to finalise a solution to ESKOM's R400 billion debt burden to make necessary investments in maintenance and transmission. The Minister of Finance in the previous financial year approved a special dispensation to allow ESKOM to access additional guaranteed debt. This solution proposed by the President includes that additional debt approved is still within limit.

Expansion of incentive schemes

Employment Tax Incentive (ETI)

- The President announced additional tax relief measures which includes the expansion of the Employment Tax Incentive (ETI) to encourage businesses to hire more young people in large numbers.

Social Relief Distress Grant

- Social Relief of Distress Grant, which currently reaches around 7.8 million people will be extended to cushion the poor against rising inflation.

Bounce-back loan scheme

- National Treasury is to lead an effort to the bounce-back loan scheme to help small businesses invest in solar equipment, and to allow banks and development finance institutions (DFI's) to borrow directly from the scheme to facilitate the leasing of solar panels to their customers.

Realignment of government departments, entities and programmes

- The Presidency and National Treasury will work together to rationalise government departments, entities and programmes over the next three years especially those with overlapping mandates and ineffective programmes. National Treasury estimates that a potential saving of R27 billion will be realised in the medium term if some entities are consolidated where appropriate.

Feasibility studies

National Treasury is considering the feasibility of urgent measures to mitigate the impact of load shedding on food prices.

KEY AREAS FOR OVERSIGHT

- ✓ Monitor the finalization of the R400 billion ESKOM debt by providing guarantees.
- ✓ Monitor the implementation of the employment tax incentives scheme.
- ✓ The Minister of Finance in his Budget must ensure that the Social Relief Distress Grant is extended to protect the poor against rising inflation and ensure that a system to link the data of beneficiaries across governments to ensure that all those who are in need are reached.
- ✓ Monitor the implementation of the bounce back loan scheme by the National Treasury to stimulate investment in solar power.
- ✓ Monitor the implementation of the consolidation plan of government departments, entities and programmes.
- ✓ Monitor implementation of transformation targets by IDC and PIC.

SONA priority areas for the National Treasury

Transformation targets

- The Industrial Development Corporation (IDC) has earmarked approximately R9 billion to invest in women-led businesses.
- The Public Investment Corporation (PIC) and the National Empowerment Fund have also committed to establish special purpose vehicles to support women-owned businesses.