

**UNREVISED HANSARD**

**MINI PLENARY SESSION - COMMITTEE ROOM E249**

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***PROCEEDINGS OF MINI-PLENARY SESSION - NATIONAL ASSEMBLY***

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Members of the mini-plenary session met in Committee Room E249 at 10:00.

Ms L M Maseko, as Chairperson, took the Chair and requested members to observe a moment of silence for prayer or meditation.

The ACTING CHAIRPERSON (Ms L M Maseko): I would like to welcome our guests in the galleries. You are most welcome and thank you for being here this morning. We just need to inform you that, according to our rules, you may not participate in the debate. So, you cannot clap, whistle, stand and jump, but you can smile. That's all. So, you are not supposed to participate but you are most welcome and thank you very much for being here. The secretary will now read the Order.

**APPROPRIATION BILL**

Debate on Vote No 7 - National Treasury:

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The MINISTER OF FINANCE: Chairperson, my apologies for not observing protocol properly; I'm still new in Parliament. [Laughter.]

Chairperson and hon members, it is my singular honour to present the Budget Vote of the National Treasury. National Treasury is the custodian of the long-term prosperity of South Africa, a mandate it derives from none other than the supreme law of the land, the Constitution. This mandate is further fleshed out in the Public Finance Management Act, PFMA.

The Constitution calls for the establishment of a National Treasury to ensure transparency, accountability and sound financial controls in the management of the country's public finances. The PFMA expands on this, mandating the National Treasury to:

Firstly, promote national government's fiscal policy and the co-ordination of macroeconomic policy;

Secondly, ensure the stability and soundness of the financial system and financial services;

Thirdly, co-ordinate intergovernmental and fiscal relations;

Fourthly, manage the budget preparation process; and

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Finally, enforce transparency and effective management of the revenue and expenditure, assets and liabilities, public entities, and constitutional institutions.

Our President Cyril Ramaphosa, in his state of the nation address, called on all of us to encourage significant new investment in our economy to create jobs, reduce poverty and inequality, and transform the economy.

The best way we can respond to President Ramaphosa's call is to remain true to our mandate and to do so without fear, favour or prejudice. Our single most important contribution to a more prosperous South Africa is to ensure fiscal sustainability, which together with sound monetary policy implemented by an independent central bank, forms the bedrock of confidence in our economy, allowing our citizens, businesses and households to make plans for and invest in the future.

We must strengthen our fiscal resilience. While faster economic growth will ease the revenue pressures, we must not waver in our commitment to continue with spending reforms across all spheres of government.

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We must pursue, with a greater sense of urgency, the governance and financial reforms aimed at restoring the financial health of our state-owned entities, SOEs. We need to rebuild confidence, and trust that government and our public entities exist to serve the people of South Africa, and that they strive to do so effectively, efficiently and honestly.

National Treasury is supporting transformation through the Preferential Procurement Policy Framework Act, PPPFA, and its regulations, which increases aggregate demand of locally-manufactured products, enhances competitiveness in the domestic market and supports growth and job creation through the use of local content designation, transversal contracts and set asides for small, medium and micro-sized enterprises, SMMEs.

We are hosting the financial sector summit this year to boost transformation in the sector and its role in supporting transformation in the economy more broadly.

The budget deficit of the financial year 2017-18 is expected to be marginally narrower than what was projected when we tabled the Budget in February. Lower than expected spending outcomes mean that the expenditure ceiling has not been breached, despite R16,2 billion of additions to noninterest spending in 2017-18. Government remains

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committed to the central adjustment to the fiscal framework announced in February this year.

The outlook for tax revenue collection remains unchanged for now. The revenue measures, including the increase in VAT from 14% to 15%, introduced in February, have now taken effect. May I take this opportunity to thank fellow South Africans who have continued to pay their taxes. I am also grateful to the staff of the SA Revenue Service, Sars ...

Go ahead. It's important because you ... [Applause.]

... also the staff at Sars and the acting commissioner for all their hard work during the most trying of times.

Any tax revenue collection agency must, like Caesar's wife, be above suspicion. The next major step therefore, towards strengthening public finances, is to restore public confidence in Sars. In this regard, as we know, President Ramaphosa is finalising the appointment of the commission of inquiry into Sars.

We have also established an independent panel of experts to review the list of the 19 zero-rated food products and consider how best for government to mitigate the impact of the VAT increase on poor

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and indigent households. I have also requested the panel to consider whether key poverty-alleviating expenditure programmes like the school nutrition programme might be better at supporting the vulnerable. The panel is expected to submit an initial set of proposals to me by the end of June this year. We will continue to engage all relevant stakeholders to ensure that the VAT increase will not have an adverse impact on poor and indigent households.

Government must deliver more services with less. In this regard, the office of the chief procurement officer, OCPO, is assisting by targeting efforts in strategic procurement in two of the most critical areas for service delivery: health and education.

Belt-tightening is indeed a difficult exercise, and it is a challenge for all countries to safeguard investment spending, while keeping compensation budgets in check. In response to this, Cabinet directed National Treasury, the Presidential Infrastructure Coordinating Committee secretariat and the Department of Planning, Monitoring and Evaluation to jointly arrange and establish the Budget Facility for Infrastructure, BFI.

This facility is intended to improve the quality of planning and management of large infrastructure projects. As part of this reform,

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government is considering mechanisms for bringing in private-sector finance.

The second phase of the BFI has been launched and projects flowing from the BFI will be considered as part of the 2019-20 Budget process. The February Budget set aside R6 billion for drought relief and public infrastructure, some of which may be allocated towards projects that have complied with BFI requirements.

National Treasury continues to monitor departments' implementation of human resource budget plans so that the expenditure ceilings on compensation budgets, set out in the 2018 Budget, are adhered to. The wage negotiations are being finalised. Moving forward, we will have to ensure that the spending choices we make continue to contribute to the improvement of the lives of all South Africans.

National Treasury allocates grants and provides oversight of the financial management of both municipalities and provinces, which are at the coalface of service delivery to South African households and businesses.

Here, our primary focus has been on ensuring sound financial management and supporting efforts to improve service delivery given existing weaknesses in capacity and governance failures. For

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example, National and Provincial Treasuries have been co-ordinating a series of expenditure reviews through the Government Technical Advisory Centre, GTAC, to help Provincial Finance MECs pinpoint areas of improved efficiency. These results can now be used by departments to improve the performance of various programmes by line departments, particularly in Health.

A new grant will be introduced in the 2019 MTEF to support turnaround strategies in municipalities which have been poor performers but that demonstrate a commitment to implementing the necessary reforms to turn themselves around.

Since our cities finance most of their budgets from their own revenue, national government is committed to further strengthening their ability to raise additional funding. This is a precondition if they are to be able to invest in the infrastructure needed to overcome the spatial inequalities of apartheid and ensure true transformation.

This year we will table an amendment to the Municipal Fiscal Powers and Functions Act to allow for improved regulation of development charges. We are also reviewing our policy on municipal borrowing, to support responsible borrowing for long-term infrastructure investment by credit-worthy municipalities.

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Financial solutions alone cannot, however, compensate for those municipal councils that allow corruption, mismanagement and service delivery to falter. To ensure better accountability and strengthen financial oversight of municipalities, National Treasury and the Department of Co-operative Governance and Traditional Affairs have signed a memorandum of understanding to clarify their roles and responsibilities. Monitoring, oversight, support and reporting on audit outcomes for municipalities now reside with National and Provincial Treasuries. Efforts to raise capacity and ensure legal alignment are currently being undertaken.

As a guardian of the national purse, National Treasury has a critical role to play in enforcing ethical behaviour. National Treasury will therefore continue to support the commission of inquiry into state capture in its endeavour to determine the extent and nature of the plundering of state resources and to contribute to rebuilding trust in SOEs.

We provide advisory services to law enforcement agencies such as the National Prosecuting Authority and the SA Police Service in the investigation of complex commercial crime cases. Our world-class financial sector requires that South Africa remains at the forefront of fighting financing crime. The Financial Intelligence Centre, FIC,

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continues to implement key reforms to combat illicit financial flows, thanks to the measures introduced in the FIC Amendment Act.

Government procurement of goods and services stood at approximately R900 billion in 2017-18. The OCPO ensures that not only is this expenditure directed to support empowerment, but that it is spent legally.

The implementation of the electronic central supplier database has made it possible to identify and expose state employees who are conducting business with government. We urge organs of state to utilise the central supplier database to verify whether any of their state employees are involved in tenders prior to making awards.

To strengthen the sanction of companies that break the law, National Treasury has increased collaboration with law enforcement agencies. This includes collaboration with competition authorities to ensure that any companies found guilty of anticompetitive practices are restricted from doing business with government going forward.

The OCPO will continue to use technological innovations to modernise supply chain management, raise transparency and reduce the costs of doing business with the state.

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It also continues to find improvements in our existing guidelines and practices. The management of deviations and expansions is being reviewed to eliminate so-called evergreen contracts and reduce barriers to entry for new firms. National Treasury is currently rolling out the strategic procurement framework that provides for a differentiated procurement approach for different commodities, including infrastructure procurement and other cost-containment measures. National Treasury is continuing to monitor late payments and expects executive authorities to take appropriate action when people are paid beyond the 30 day limit.

Efforts to replace aging and fragmented financial, supply chain and human resource management systems include the Integrated Financial Management System, IFMS, which has had challenges in the past but which is being jointly delivered by the National Treasury, the Department of Public Service and Administration and the State Information Technology Agency, Sita.

Recently, Treasury has had to address the challenges that I've referred to, in the management and administration of the IFMS, transparently and promptly, taking accountable actions to ensure there are no further impediments to this project. Areas that have been strengthened include: development of an integrated programme

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blueprint; strengthening of the oversight function; and the introduction of more robust monitoring and evaluation controls.

State-owned companies, SOCs, have a substantial impact on perceptions of the sustainability of public-sector debt in our country, and as a result, confidence and growth momentum. Perhaps most critically, though, we must acknowledge the impact of SOCs on the cost structure of the economy and our overall competitiveness.

Minister Gordhan detailed in his Budget Vote last week the interventions the Department of Public Enterprise has put in place to address this. This will mitigate the risks to financial stability in these enterprises and will begin to help improve the link between the economic outcomes of SOC efficiencies.

National Treasury will support these efforts by leading the implementation of specific interventions such as the oversight forum initiatives on the SA Airways, SAA, chaired by the Deputy Minister of Finance, the Cabinet approved private-sector participation framework and the framework for costing the developmental mandates of SOEs.

Intensive National Treasury interventions are specifically targeted at the liquidity positions of the SAA and Eskom, and aim to

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stabilise their financial positions with the immediate intention of limiting government's exposure to these entities going forward. Efforts are also underway to enable these entities to operate on the strength of their own balance sheets.

National Treasury also continues to manage 18 entities reporting to the Minister of Finance. Even though the mandates of these entities vary, it is critical that they align their strategies with government policy. These entities are required to submit quarterly reports to the National Treasury to ensure delivery against the social and economic mandate that they agreed to.

The payment of suppliers within 30 days, as I said earlier, is a key performance indicator that is being monitored closely. A number of entities have corrective action plans in place to timeously resolve audit findings, which National Treasury continues to monitor closely. National Treasury will continue to require entities to exercise moderation in the awarding of future salary increases.

Let me briefly reflect on the work of some of the entities that we have engaged with during the past year. The Development Bank of SA, DBSA, continues to implement a strategy that is designed to augment disbursements by focusing on its catalytic role to enable sustainable infrastructure development. Through this strategy, the

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bank is aiming at increasingly crowding in the private sector or third-party funding and growing impact across the spectrum of the infrastructure development value chain that includes financing, project preparation, planning, implementation and maintenance.

During the 2017-18 financial year, a total of R8,7 billion was committed for funding, of which R3,5 billion was to municipalities, and will impact approximately 77 580 households. The remaining R5,2 billion in commitments is in renewable energy and will finance about 42 megawatts of energy.

In planning support to secondary and under-resourced municipalities, the bank completed 13 infrastructure master plans that have an estimated project value of R26,7 billion and that will impact an estimated 776 474 households and 8 700 temporary jobs when implemented.

The DBSA provided implementation support for the completion of 12 infrastructure projects in electricity, water, sanitation, roads and storm water to various municipalities during the past financial year. A total of 21 780 households benefitted and 672 temporary job opportunities were created through the completion of these projects.

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The Public Investment Corporation, PIC, plays a vital role in the economy through its investments by supporting the current and future sustainability of financial markets and SOEs, by financing infrastructure projects and by investing in strategic sectors that have a significant developmental impact on the economy. Through its investments, it aims to drive job creation and transformation in various sectors and it continues to play a critical developmental role in the country.

In terms of its clients' developmental or impact investment mandates and in line with the PIC's investment strategy aimed at growing and transforming the economy, the PIC is accelerating impact investing in all asset classes by developing sector strategies for key sectors such as health care, student accommodation, education, affordable housing, as well as SMMEs. The PIC will also increase its allocation of funds to its highly successful black fund manager programme.

The Land Bank is mandated to play a pivotal role in both the growth and inclusive transformation of the agricultural sector. We are happy to note that the Land Bank continues to deliver boldly on its mandate and that it continues to get stronger and stronger in both financial and institutional governance aspects.

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Over the past 12 months, the Land Bank has been highly successful in raising funding, on the strength of its balance sheet, from domestic capital markets, as well as funding lines from international sources.

Going forward, the bank is committed to focus substantially on transformation investments in agriculture in terms of its corporate plan. The bank plans to invest over R2,5 billion in the developmental and transformative segment of agriculture.

With regard to the Independent Regulatory Board for Auditors, IRBA, recent revelations about various instances of collusion with auditees, as well as general lapses, have cast a bad light on the whole profession and has tarnished the image of auditors in general. The IRBA is therefore working with the office of the accountant-general, housed within National Treasury, to amend the Auditing Profession Act 26 of 2005 to restore the credibility of and public trust in the audit profession. The amendments include: strengthening sanctions in line with international best practice; strengthening the regulatory board's powers in its investigations process; and reducing the complexity of disciplinary hearings to ensure a swift, fair and due process.

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National Treasury continues to work with sister departments to ensure the government undertakes the key regulatory and structural reforms to raise growth. This includes: improving policy certainty; strengthening the role of economic regulators; encouraging the use of public-private partnerships, PPPs; and enhancing the financial sector's contribution to savings, growth and transformation. We have already seen some progress since the Budget.

The outstanding projects under the Renewable Energy Independent Power Producer Procurement Programme have been concluded and will unlock investment of R56 billion and create 58 000 jobs.

The Single Transport Economic Regulator, which will enable a more competitive transport sector, is being finalised. Restoring policy certainty in the mining sector has been made an urgent priority. The efforts by the Competition Commission to conclude critical market inquiries in private health care, the cost of communication and grocery retail will lower the barriers to entry and create opportunities for new entrants to participate in our economic revitalisation.

The Ease of Doing Business project, undertaken jointly by the World Bank and the national government, with extensive support from

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National Treasury, is designed to address business regulatory challenges.

Our Cities Support Programme is working with nine of the largest municipalities to improve their performance. If each of the nine cities participating improves their performance to match the best-performing South African city on each metric, we would be more competitive than most Organisation for Economic Co-operation and Development, OECD, countries. That is certainly food for thought.

Our Cities Support Programme goes beyond just looking at regulation. We are working closely with metropolitan municipalities to accelerate the implementation of investment in strategic projects that will bring greater integration to our cities and begin to reverse the spatial inequality legacy of apartheid.

National Treasury has taken this call to heart and continues to lead the CEO Initiative. Along with other government departments, we will build on recent achievements such as the launch of the Youth Employment Service, YES, Initiative and the finalisation of the private-sector small business fund.

Future work will focus on labour-intensive sectors such as tourism and agriculture and create more opportunities for young people to

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participate in the economy. We will continue to play a critical role in communicating with foreign and local investors as well as ratings agencies on the growth agenda; all of which provide important inputs into both the investment and jobs summits.

Our footprint and representation is also growing globally. South Africa's push to increase our growth would be incomplete if we did not take into account the role we must play in the world and our continent in particular. We are using our chair of the Southern African Development Community, SADC, and the BRICS to drive increased interest and investment in our own country and the region through the development of project pipelines, project preparation and PPPs.

Furthermore, the SA Reserve Bank Governor has been elected as the chair of the International Monetary and Financial Committee, the primary policy advisory body of the International Monetary Fund Board of Governors. This appointment is important for the developing world. [Applause.]

As I conclude – and please brace yourselves for another 45 minutes – for the first time in a very long time, it appears that economic growth will be higher than projected at the time of the Budget Review. That is thanks to improved business and consumer confidence

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and a favourable global economic backdrop. This favourable momentum is an opportunity for us to build upon, but we should not be lulled into a false sense of security. We must continue to rebuild our resilience to ensure that we can respond to exogenous shocks that may arise from geopolitical events or volatile financial markets. We need to rebuild trust in our public institutions and the integrity that they should stand for. And we need to deliver on economic reforms, jobs and investment that South African households and businesses have entrusted us to deliver.

The ACTING CHAIRPERSON (Ms L M Maseko): You have five minutes.

The MINISTER OF FINANCE: Did you say five minutes? We remain mindful of the great expectations that fellow South Africans have of National Treasury. We are charting a course for a sustainable path of spending and borrowing. We are working hard to support better service delivery in provinces and municipalities. We are contributing to ensure and recapture our SOEs and support the drive against state capture. We are also driving transformation and growth through procurement reforms, the CEO Initiative and the financial sector charter reforms. But we cannot do it alone. We need the co-operation of the rest of government to drive the efficiencies and innovations required to improve service delivery. Fellow South Africans must play their part too. So do our social partners.

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Hope: a word that seemed to have died from our lexicon, is now back on the agenda. But it is back on the agenda in true South African style, with steel underneath, the tough mettle that we South Africans and the National Treasury embody. The toughness to do what is right, no matter how difficult, and the toughness not to let down our guard when there is still so much to be done. We are reminded in this most auspicious year of celebrating the centenary birth of our national icon, founding father and first democratic President, tata Nelson Mandela, and one of the principal architects of our democracy, mama Albertina Nontsikelelo Sisulu, that this is what they stood for.

In tabling the Budget Vote of the National Treasury for consideration by the House, I would like to express my appreciation to the chairs and members of the Finance committees who have engaged constructively with the challenges that we confront. Thank you for your attention. [Applause.]

Ms T V TOBIAS: Hon Chairperson, hon members, ladies and gentlemen, good morning. Upfront, I need to say that the ANC supports Budget Vote No 7. Hon members, as we celebrate the centenary of Madiba and Mam' Albertina Sisulu, I dedicate my speech to Mam' Winnie Nomzamo Mdikizela-Mandela, who had since departed this world. I also elect to salute the ANC for playing a pivotal role in liberation of the

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African people from colonial rule to freedom and democracy, a task that I accede is not easy. I meet criticism on a daily basis that it recedes. It is not destructed. It continues to address the national grievance. Therefore, the struggle continues.

Hon Chairperson, last weekend, the ANC met to process the matter of expropriation of land without compensation. The modalities derived from that gathering was arrived at by different sectors of our society. Theirs was the understanding that building a social compact to realise inclusive growth is imperative. Therefore, the ANC continues to promise to deliver on its mandate. Today as we discuss National Treasury Budget Vote, the following needs to be taken into consideration. Firstly, business confidence is improving. Secondly, more payments of debts by business are improving. Thirdly, the services sector is getting a boost. Lastly, the economy is growing.

We also welcome back Minister Nhlahla Nene, who started in February of the current financial year. [Applause.] We wish him well in this continue responsibilities of transforming the economy. He was just on a sabbatical, hon members.

Hon members, the ANC 54th National Conference resolved that, the South African government needs to urgently reignite economic growth. It further resolved that we need to form a social pact between

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government, labour and business to realise investment. But over and above this, it also resolves that we need to stabilise governance and finances of state-owned companies for them to play a developmental role. So, that's the conference resolution of the ANC, nobody else, which this government is busy realise. The most fundamental resolution is how to strike a balance between our macroeconomic policy and the growth path. Having said the above, we hereby scrutinise the role of National Treasury to achieve the above.

We also congratulate the National Treasury for prioritising management of public debt, an improvement of municipalities' finances through a programme to improve skills.

In the same vain, we focus our attention on the initiatives that the department has announced now through the Minister. We also welcome the funding of the Commission of State Capture which is a commitment to fight corruption. We further believe that more attention will be paid on the SA Revenue Service to preserve its image and integrity.

We also welcome the chief executive officer initiative which will bring about economic growth. In the current financial year, R57 billion was injected through the fiscus of fee-free higher education, an achievement hon members, which need to be celebrated

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with applause. [Applause.] Also, R2,6 billion was budgeted for social grants to offset against inflation, to poor households against VAT 1% increase.

We also welcome the turnaround strategy by the National Treasury to oversee delinquent departments in any municipalities. Therefore, the situation, hon members, in the North West, which led to implementation of section 100, is very unfortunate. We need responsible and accountable leadership. Our financial systems ensure compliance through capacity. Therefore, government officials need to adhere to establish policies or face the music.

We are also satisfied that National Treasury has attended to concerns raised in the standing committee on reviewing revenue sharing models. As South Africa is now the Chairperson of SA Development Community, SADC, we hope the matter will receive utmost attention. We are also satisfied that Government Information Public Access, Gipa, has improved its performance on handling our pension matters by improving the data systems. We also saw Programme 8 focusing on urban integration and the jobs fund targeted the agricultural sector respectively through inefficiency in grant allocation.

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Also, allow me to brag about achievable. I am just joining the Minister. Firstly, we delivered a Brics Bank. Our director-general is part of that. [Applause.] We are combating illicit financing flows, hon Floyd. We are chairing Brics. We are also chairing SADC. What an achievement, hon members. Team National Treasury, congratulations. [Applause.] Having said the above, we also take serious challenges of liquidity with our state-owned enterprises, SOEs.

We accept the conditions that led to recapitalisation of SA Airways, SAA, to the tune of R10 billion in the 2017-18 financial years. We also regret last week the DA's play to the gallery when we had an opportunity to take members into confidence through CEO, Mr Vuyani Jarana, on the market sensitive turnaround strategy that will sees SAA being turned into profitability and liquidity.

We hope that moving forward all parties will be unanimous in ensuring that we are a successful country. We also acknowledge that R4,8 billion payment for SAA is not reflected in the budget. That should be attended to. We also hope that R9,2 billion which was supposed to be paid to lenders will be paid on record time. We also noted the fact that Eskom need to borrow R20 billion to address the falling coal stocks to avoid a R4 billion minimum levels. We are

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confident that the financial matters will be managed in a responsible manner by officials.

We also hereby report upfront that the committee does support private sector participation to turnaround SOEs. However, the ruling party has not yet tabled a policy on privatisation. Therefore, we support National Treasury in stabilising these entities but equally we advocate for the rooting out of corruption and maladministration in our SOEs.

We also hope that the National Treasury will address concerns raised by members in relation to section 32 committees on municipalities in effecting appropriate tariffs and understanding legislation.

Hon members, the committee also welcomes the fact that government did not bridge the expenditure ceiling in 2017-18. We further support National Treasury renewed focus on economic growth, investment and job creation, particularly youth as outlined by the President to the youth entrepreneurship service programme.

The 10 Point Plan outlined by the President during the state of the nation address should be implemented with figure. We also report that the committee is hands on in relation to the SA Revenue

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Service, Sars, matter and support the President with the manner in which he handled the matter.

We will address the Makwaka matter as we will receive a briefing tomorrow from Acting Sars Commissioner. We will deal with the KPMG matters. We have also expressed our concerns on the behaviour of auditing firms and we are dealing with the Steinhoff, VBS and Linkway Trading matters respectively.

We therefore, entrust Independent Regulatory Board for Auditors, Irba, to dig deep into these matters. We have also address the financial sector transformation matter and made recommendations. The committee has noted the weaknesses of certain municipalities and hope this matter is receiving urgent attention.

Lastly, we can report to the comfort of the Chief Whip of the Majority Party that all legislation before the portfolio committee will be deliberated on record time. We hereby request that the House adopts the Budget of National Treasury because it is progressive. The ANC support Budget Vote 7. I thank you, hon Minister.

Mr D J MAYNIER: House Chairperson, we would like to begin by welcoming the Minister of Finance, Nhlanhla Nene, back to the front benches as Finance Minister in Parliament. He is of course new but

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he is not that new. He was one of those rare people who did have, as he said, the toughness to do what is right at a time when it was tough to do what is right, and we complement him for that.

[Applause.] We are confident that, unlike his predecessor, who loves to bash National Treasury, he will spend some time bashing those who bash National Treasury.

The primary objective of fiscal policy, which is the primary objective of National Treasury, is to stabilise national debt in South Africa. However, this has been a spectacular failure, with national government debt, measured as net loan debt, set to balloon to a staggering R3,03 trillion or R52,2% of GDP in 2020-21.

There is a question mark, given the pressure on spending, about whether national debt, measured as net loan debt, will actually stabilise at 53,2% of GDP in 2023-24. However, assuming that it does, we will be spending a staggering R277 billion on debt service costs in 2023-24, which is R30 billion more than we will be spending on basic education this year, in 2018-19. That by any account is a staggering figure.

We therefore need to be honest about who ultimately is responsible for the failure to stabilise national debt in South Africa. We, here, as Members of Parliament, are required in terms of the Money

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Bills Amendment Procedure and Related Matters Act to pass the fiscal framework and to specifically ensure that debt levels and debt service costs are reasonable in South Africa.

However, the fact is that a fiscal framework is rubber stamped every year by this Parliament, which in my view amounts to a dereliction of duty, given that we are required to ensure that debt levels and debt service costs are reasonable in South Africa. The buck stops here with Members of Parliament!

We therefore need some new and innovative thinking about how to deal with the staggering levels of national debt and debt service costs in South Africa. We have, therefore, written to the Speaker of the National Assembly, Baleka Mbete, giving notice of our intention to introduce a Private Members Bill, in terms of section 73(2) of the Constitution, entitled the Fiscal Responsibility Bill, in Parliament.

The Fiscal Responsibility Bill aims inter alia to introduce a 'fiscal rule' that would reduce national debt and debt service costs in South Africa. First, the Fiscal Responsibility Bill provides for: A fiscal rule prescribing that, for each financial year from 2019-20 to 2022-23, net loan debt expressed as a percentage of GDP must not be more than it was the previous year.

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Second, the Fiscal Responsibility Bill provides for: A review of the fiscal rule by the National Assembly every four years, beginning in 2023-24, by either amending, renewing or terminating the fiscal rule; and an annual Fiscal Responsibility Report to be tabled by the Finance Minister, setting out whether the fiscal rules were complied with or not, together with reasons for those outcomes, and recovery plans in the event of a failure to comply with the fiscal rule.

Finally, because South Africa is a small open economy, vulnerable to shocks, the Fiscal Responsibility Bill provides for: An exemption from the fiscal rules to be granted in respect of a specific financial year, or years, by the National Assembly upon application by the Minister of Finance, with good cause shown and on the recommendation of the Standing Committee on Finance.

Whatever you may think of the merits of the proposal, had the Fiscal Responsibility Bill been in place, the former Minister of Finance, Malusi Gigaba, would not have had the discretion to deliver his now infamous 'kamikaze' Medium-Term Budget Policy Statement, which 'blew up' the budget and risked a catastrophic full-blown sovereign credit ratings downgrade to 'junk status' of South Africa.

The Fiscal Responsibility Bill is, to the best of my knowledge, the first proposed statutory 'fiscal rule' in South Africa. We still

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have a lot of work to do before introducing the final version of the Fiscal Responsibility Bill in Parliament. A notice of intent to introduce the Private Members Bill will be published in the Government Gazette shortly, inviting comments from interested parties, which we will consider before introducing the final version of the Fiscal Responsibility Bill in Parliament.

We look forward to working with the executive, political parties, civil society, trade unions and interested members of the public in developing the final version of the Fiscal Responsibility Bill, which we think will go a long way to containing and stabilising national debt and debt service costs in South Africa. Thank you.

[Applause.]

Mr N F SHIVAMBU: Chairperson, the statement here that the ANC is dealing with illicit financial flows is schizophrenic. How do you say you are dealing with illicit financial flows when corporate income tax as a component of the overall revenue is declining. It must reflect on the numbers. These are just basic conceptual confusions that define the ruling party.

We are now approaching the end of the fifth democratic Parliament and our honest observation is that the ruling party is defined by collective incapacity, negligence, mediocrity and cowardice. This is

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reflected largely in the ownership and control of the financial services sector: That the banks continue to be owned by those that did prior 1994. There is just even insertion of foreign banks. The Reserve Bank has approved new licences of white-owned banks that still exist.

Because we are going to be government next year, and we are going to run National Treasury next year you must remember this very well. When we do it and present the Budget Vote, we are going to be dealing with the following issues: We are going to make sure that the Banks Act, as we have already tabled the amendment Bill, permits for the state to own banks.

Currently the legislative framework doesn't allow the state to own banks. So, that is one issue that we must deal with as soon as possible. It is not just for the creation of the Post Bank into a full-fledged bank, but for other banks as well, including an agricultural support bank which will then begin to finance agrarian reform in light of the fact that we are going to expropriate land without compensation.

The second issue which we have already tabled the Private Members Bill on is the discontinuing of private ownership of the Reserve Bank because it is one of the seven in the world that have got

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private shareholders. We are going to make sure that the SA Reserve Bank is fully owned by the South African state. Of course, we should retain its relative autonomy with a clear mandate in terms of what should happen.

In the immediate, there are certain issues that the SA Reserve Bank must deal with. One of those issues is to exit the African Bank. When you were as Minister, you persuaded Parliament, of course with the resistance of the EFF, to rescue the African Bank. It currently stable, so the Reserve Bank cannot continue to a major shareholder in a bank because it is a regulator through the prudential authority.

As a matter of urgency, before even this fifth democratic Parliament comes to end, we should make sure that the Reserve Bank and other banks exit the African Bank and give that to black owners and the state. So, there must be a combination of the state and black owners at African Bank so that we begin to transform the banking space.

The other issue that we of course are going to put Private Members Bill on and clearly define is the issue of the sovereign fund, which we have already given clearer conceptual basis in terms of what should happen moving forward. The last issue which is a policy position that must be dealt with is to convert the PIC debt in

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Eskom, possible in SAA, into equity. That should be defined by structural reforms of how these state companies are managed.

So the R110 billion which Eskom owes the PIC should be turned into equity and then we deal with how Eskom is managed. That will somehow reflect how Airport Company of South Africa, Acsa, is currently owned. It is one of the immediate interventions that you can deal with. However, because of the observation that I have made earlier, that the ANC is defined by a collective incapacity, mediocrity, negligence and cowardice, you are most unlikely to deal with all of these basic issues that you have to deal with.

So, in that basis, we do not support the Budget Vote because we think that the ANC is led by cowards. Thank you very much.

[Applause.]

Mr M HLENGWA: Hon Chairperson, from the outset, as the IFP we want to welcome the Minister back and wish him well in his duties and responsibilities. For time immemorial, post1994, National Treasury has been the model department when compared to other departments. However, in recent years we have seen it slide into a compromised position plagued by instability owing to a brain drain of experienced financial minds. It has now been rocked by scandal upon scandal and found itself in the belly of state capture.

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The growth of the economy came to a grinding halt and the tax base shrank, unemployment sky rocketed and SA Revenue Service, Sars began to crumble. Debt servicing costs now stand at R180 billion a year. State-owned companies are the perennial bane bane of the fiscus and our climb out of unfavourable credit ratings is at a snail pace.

Government spending in the face off competing priorities and grave challenges has not focused on national needs, but rather has been an egotistic and luxurious splurge on wants. The fat has not been cut; there is just no financial and legislative discipline on the part of accounting officers to manage their budgets in a manner which is consistent with the Public Finance Management Act, Municipal Finance Management Act and other National Treasury regulations because consequences are absent in the financial management discourse of this country.

Wasteful, fruitless and irregular expenditure have become a norm, which goes by unpunished. Expansions and deviations of tenders has become a norm to bypass competitive bidding processes and undermine Supply Chain Management, SCM, policies, there to without consequences.

Simply put hon Chairperson, all is not well in the State of South Africa.

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The SA Airways, SAA, is a problem child which has become an unsustainable vanity project and the taxpayer can no longer be expected to bear the brutal brunt of the endless bailouts being extended to SAA. It is time to bite the bullet and begin processes of selling SAA. The current funding model is not working. The economy does not have deep enough pockets to continue with the junket expenditure on SAA.

The SA Revenue Service, a once reputable organisation, is a shadow of its former self as it is now on one hand failing to collect enough revenue and is plagued by scandals on the other. The restoration of institutional credibility and capacity is of urgency; and this includes, but is not limited to the removal of Tom Moyane and other rotten agents of state capture.

The unforgivable sin of implementing the regressive VAT increase under the cheap guise that it is in the interest of the poor whereas exactly the opposite is true is the clearest indication yet that all is not well in South Africa. The IFP expects an announcement from the Minister in the 2019 Budget Speech that VAT will be lowered back to 14% and that other cost-cutting measures will instead be effected. In the meantime the exercise of expanding the list of zero-rated items is taking far too long and quite frankly it is our view that

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this should have been done concurrently with the narrow-minded and ill-calculated VAT increase.

In conclusion, the IFP expects the new political leadership at National Treasury to restore trust, confidence and efficiency. The IFP is mindful of the circumstances which led to Minister Nene being fired, and hope that he will be firm in his resolve of managing the national budget in a manner which improves the collective sustainable livelihoods of the people and in particular the poor. Hon Minister we know ...

*IsiZulu:*

... ukuthi wawuxoshelwe ukumela iqiniso. Sesibonga uNkulunkulu ukuthi usubuyile kodwa ungamphoxi-ke uNkulunkulu ukuthi okubuyiselwe ukwenze ngokwethembeka ngoba akukwazi ukuthi imali yabantu intshontshwe emini kabha. Uthenjiwe-ke ukuthi lowo msebenzi uwenze Sthenjwa ukuthi izimali zaseNingizimu Afrika ziphatheke ngendlela.

*English:*

On that note the IFP supports this Budget Vote.

*English:*

The ACTING CHAIRPERSON (Ms J L Fubbs): Allow us to hear the speaker!

Hon members allow us all to hear the speaker.

*IsiXhosa:*

Mnu N L S KWANKWA: Bayangxola mama.

*English:*

Hon Chairperson, let us start here hon Tobias that I was part of the meeting that took a decision in principle...

*IsiXhosa:*

... hayi yima sisi.

*English:*

... to say that we are going to have a closed session to discuss some of the issues that were business sensitive around SAA. So, to say that there was never such a decision is not true. Let us first clarify that.

Minister you have a problem of low economic growth compounded by the fact that you had many years mismanagement and corruption that was left unchecked in the system. The problem is that with your average economic growth over the past decade of 1,4% and you have a population growth that is slightly higher than that, the problem you have is that now over the past 10 years or so living standards have declined because the income per capita has declined as you know.

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The other issue that you have is the income inequality that you know is one of the worst in the world but still we then take a decision to increase Vat and not look at the corporate income tax. I think we have said this many times before. It is not true. I do not understand why first take a decision to increase Vat and then after that we set up a system to check the impact and try to mitigate the impact on the poor of the Vat increase.

What should have happened ideally is that, long before you took a decision to increase you should have actually taken steps to try and mitigate the impact of the Vat increase on the poor which is not what happened here in South Africa in this case. Treasury gave us forward guidance as far back as 2015 in one of their budget reviews where they showed a table of emerging economies countries with Vat in world comparing the rates. I said to them this is forward guidance and you are saying in future you are going to consider raising Vat. Their answer was an emphatic no because it was a political sensitive issue. That was the time when you should have taken these steps of trying to mitigate a Vat impact on the poor. Not now when we have already taken Vat increase.

The other issue is that we continue to have a problem with an education system that does not adequately prepare our people for jobs. I want to quote something that was written by IMF on talking

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about weak educational attainment of weak quality of education. They say it contributes to wide income disparities, high unemployment, perpetuate the intergenerational transmission of poverty and constrains growth.

Part of the strategy that should try to improve growth prospects of the country is to attend precisely to this issue of education. This will result in the decisive intervention of the youth employment which is standing well above 50%. Apart from the youth being sent to learnership programmes to make copies but make decisive interventions where people will be able to learn and contribute meaningfully to the economy.

The other issue which is critical must be the prioritisation of the youth owned business enterprises in government business and procurement as a strategy to address this problem of unemployment.

*IsiXhosa:*

Alele lamasela.

*English:*

Hon Minister, the rising contingent liabilities of state-owned enterprises remain a concern and if not managed properly they will lead to further downgrades in future for South Africa. Reforms have

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been undertaken, I agree, so far on government issues, but for as long as the politicians that facilitated the looting of those state resources...

*IsiXhosa:*

... azithathwa zivalelwe ejele ukuze kubekho umzekelo...

*English:*

... including these officials who steal money, we are not going to address this problem.

*IsiXhosa:*

La masela. Siyanixhasa, nisixwaxwa ninjalo, lamasela. Sinixhasa nje ngenxa yokuba kukho uMphathiswa omtsha. KuGigabyte besingasokuze sinixhase.

Mr W W WESSELS: Chairperson, each year we hear in all spheres of government a lot about turnaround plans, cost-containment measures and doing more with less. Today we heard that trust must be rebuilt and restored in our revenue collector in SA Revenue Service, Sars, that trust in our state-owned enterprises, SOEs, must be restored and rebuilt that we must root out and we are rooting out corruption and mismanagement at SOEs and at other state-entities, that government is restoring accountability and responsible governance to

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municipalities and to government. We hear and we hear achievements that officials that are doing business with the state are being identified. We hear that each year.

We hear about the rooting out of state capture and the investigations thereof. However, Chairperson, what we must ask ourselves today is how did we end up here? The hon Tobias could not even find any achievement of her government on domestic soil, she had to look for it at Brazil, Russian, India, China and South Africa, Brics. No hon Tobias, at Brics! [Interjections.]

We have a crisis. Chairperson, the crisis manifests with the abuse of power and looting. There is no political will to effect consequence management on all levels and to stop the mismanagement and looting.

The National Treasury should be commended for their attempts to provide guidance, monitor and to attempt to provide good governance. There are a lot of Treasury investigations over the last 10 years and we can quote quite a number of those investigation reports and the hon member should take note if a lot of those reports and investigations were taken seriously from the beginning a lot of scandals that shook your ruling party would have been prevented. Let us cite two examples, the Vrede Diary: There was a National

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Treasury investigation a number of years ago, but it was ignored. The Ace Magashule scandal with regards to the websites was ignored. [Interjections.] The Passenger Rail Agency Rail, Prasa, a National Treasury reports on Prasa was ignored. [Interjections.]

The ACTING CHAIRPERSON (Ms J L Fubbs): Hon members, let us hear the speaker!

Mr W W WESSELS: A lot of scandals could have been prevented if the National Treasury and their investigations are taken seriously, but it is not.

Chairperson, the hon Tobias spoke of inclusive growth, but we can never accomplish inclusive growth only by redistributing. We will only accomplish actual growth that will address the plight of everybody in South Africa if we have economic growth and restore the trust in our private sector by only keeping the cake that is the South African economy the same size and trying to redistribute it; we are actually just rearranging that ... [Inaudible.]

[Interjections.]

The ACTING CHAIRPERSON (Ms J L Fubbs): Hon members!

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Mr W W WESSELS: ... on the *Titanic's* deck. Let us wake up, let us address the current problems, let us live in the present and let us focus on the future. I thank you.

Ms N P NKONYENI: Hon Chairperson, hon members, hon Minister and hon Deputy Ministers who are present here, the DG and officials from the National Treasury, esteemed guests in the gallery, from the very onset, I wish to affirm the ANC's unreserved support for this budget. [Applause.]

Hon Chairperson, it is a matter of privilege for me to take part in the debate on Vote 7. This debate takes place during the important year in our history on centenary celebration of Mama Albertina Nontsikelelo Sisulu and Tata Nelson Mandela, The giants of our struggle.

These were giants who were resolute and had unwavering commitment to our struggle. Today's debate would deal with challenges that would need resoluteness and unwavering commitment to deal with such challenges. It is said that Mama Albertina Sisulu was amongst the few women who were part of the official launch of the ANC youth league in 1944.

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She, said, "Women are the people who are going to relieve us from all these oppressions and depressions". She was steadfast and resolute to the course. We should remember that the ANC has called for the certainty with regards to economic policy transformation. At the heart of this certainty would be the rigorous push for radical socioeconomic transformation.

This debate should be seen as part of steps that we are taking to implement this. As we debate the National Treasury Budget allocation, we are cognizant that National Treasury is the engine for national revenue, which would assist us to realize what was adopted in the 54 National Conference of the ruling party, the ANC.

We need to effectively and efficiently utilize the resources we have in our government departments and state entities. We must be responsive to that call and make sure that as reflected in the 54th National Elective Conference of the ANC, that the state must develop a more effective programme to ensure access to, and ownership of, financial institutions by black people, youth and women. So says the ANC. [Applause.]

This should include new approaches to regulations and licensing that fosters competition and enables diversified ownership. Working towards the implementation of the ANC National Elective Resolutions,

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National Treasury is encouraged to work towards stabilizing the governance and finances of state-owned companies and ensuring that SOEs play a developmental role because the main purpose of establishment of these SOEs is to operationalise the broad socio-economic development plans of this government.

Development Finance Institutions, DFIs should give greater emphasis to employment creation, empowerment, industrial diversification and development, small businesses and co-operatives, small-scale agriculture, microenterprises and local and regional economic development.

State procurement should be used as an empowerment lever. Set asides must be further strengthened so that they work more effectively in promoting black businesses, youth-owned, women-owned businesses, including businesses owned by people with disabilities.

With regard to the Financial Sector Transformation, we need to be cognisant of the fact that in order for us to achieve the prosperity in this country and to be able to provide dignified basic services, the economic sector needs to transform.

The ANC has always campaigned for the financial sector transformation because we understand that access to finance and

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financial services are key to achieve economic and social transformation. We are of the view that the financial sector ultimately belongs to customers, and financial firms are merely custodian of peoples' money.

The ANC supports the Minister's new Twin Peaks system approach of financial regulations, which was launched by Minister Nhlanhla Nene in April 2018. In line with the ANC's commitment to promote financial transformation, the Minister indicated that Twin Peaks approach aims to create a safer financial sector that works effectively in the interests of all South Africans by reducing potential threats to the financial system and providing better protection to financial customers.

At the launch, Minister Nene noted that:

Twin Peaks is a dynamic, innovative and smart system. It aims to streamline our approach to financial regulation, to clearly define roles and responsibilities, and to create flexibility. It creates a dedicated Prudential Authority to look after safety and soundness of financial institutions and a dedicated Market Conduct Authority to look after the way financial institutions treat their customers.

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The ANC policies have achieved and shall push for more in order to be able to create jobs, eliminate poverty and narrow the inequality gap. We need to be reminded of the fact that the Freedom Charter prescribes that the people shall share in the country's wealth.

As declared in the Freedom Charter, we should further make sure that the mineral wealth beneath the soil is in the hands of our people. The Banks and monopoly industry shall be transferred to the ownership of the people as a whole; all other industry and trade must be controlled to assist the wellbeing of the people; all people must have equal rights to trade where they choose, to manufacture and to enter all trades, crafts and profession.

With regard to illicit financial flows: It is a fact that Africa loses billions of rands illicit financial flows. South Africa is not spared on this problem, which is defined as all unrecorded private financial outflows involving capital that is illegally earned, transferred, or utilized in contravention of applicable capital controls and regulatory frameworks.

South Africa is one of the countries losing billions of rands and these needs to be dealt with a sense of urgency. The co-operation between financial institutions and government agencies is critical in dealing with illicit financial flows. The Financial Intelligence

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Centre is a significant tool for monitoring the financial sector but it is limited to monitoring the formal financial sector.

The financial sector has a high level of compliance with the Financial Intelligence Centre Act. The Act and recent amendments, give the Reserve Bank significant powers to monitor transactions and require banks to report suspicious transactions. In other words, the ANC-led government is doing something to curb the illicit financial flows.

With regard to illicit tobacco trade, we are saying this is another worrying aspect in our economy, because it has a negative effect on tobacco tax revenue. Seeing the magnitude of this problem, the committee recently received a briefing looking at the impact of illicit tobacco trade.

The impact to our economy is huge and our borders are used as trafficking transits of cigarettes and are becoming accessible to children. We are saying this also needs to be dealt with.

In conclusion, hon Chairperson, I wish to emphasize that these are complex issues to deal with but they need strong will and determination.

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President Mandela once said: "The brave man is not he who does not feel afraid but he who conquers that fear." Hon Chair, the ANC supports the budget. I thank you. [Applause.]

The ACTING HOUSE CHAIRPERSON (MS J L FUBBS): I did not have that written down. I have the hon Nkonyeni as a maiden speech. So, I do apologise. I was not made aware of that.

Mr Y I CARRIM: Chairperson, on a point of order: Is there any opposition member who can deliver such a good maiden speech?

[Laughter.]

The ACTING HOUSE CHAIRPERSON (Ms J L FUBBS): Hon Carrim, that is not a point of order.

Ms D CARTER: Chair, the maiden speech was not for hon Carter, but for the previous speaker. As far back as the RDP White Paper, government acknowledged the need for good, clean, responsible and progressive governance; interdependence between economic growth and the objectives of reconstruction and development; meaningful transformation that would only be possible if the economy was placed on a path of high and sustainable growth; for sound macroeconomic policies to promote an integrated and coherent growth and development strategy; reprioritising government expenditure, by

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cutting down on recurrent expenditure to release funding for meaningful delivery; and for fiscal prudence, to reduce our fiscal deficit.

Treasury plays a central role in achieving and protecting these ideals. During the Mandela and Mbeki era's, a macroeconomic environment was created, which facilitated a period of sustained growth and development; a world-class, modern, progressive and trusted taxation authority was established; and fiscal prudence was practiced such that our deficit was reduced.

However, when the traditionalists and the left-wing components of the ruling alliance combined to capture and corrupt the ANC and overthrow President Mbeki, they subjected South Africa to the devastation of a Zuma Tsunami; of rampant corruption and looting; and the capture of the state, with the President of the ANC and government at the apex of a criminal syndicate of political elites.

The ANC changed our governance, economic and fiscal trajectories, with devastating consequences, such as debt of 44,1% of GDP. This means that each citizen is in debt of R36 795. This means R3 293 interest per second. We have seen a VAT increment, affecting the poorest of the poor. And like a Tsunami, the real extent of the

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damage caused by the ruling party during the Zuma era is becoming more evident as the Tsunami recedes.

The consequences of this decade of betrayal of our nation by the ruling party are that, in the face of rising legitimate demands upon government, as a consequence of a stagnant economy, government has to start the process to undo and reverse the damage done to the state, the fiscus and the economy by the ruling party.

During this debate last year, to jeers from the ruling party, Cope defended Treasury in the face of the state capture attack by the President of the ANC and the country and his band of thieves. Now the claw-back must commence.

Cope supports this Budget Vote on the provisos that Sars be recaptured and its integrity and efficacy re-established; that Treasury itself be stabilised, in the face of the decimation of its senior management; that recalcitrant departments be brought back into line to comply with procurement and fiscal discipline; and that Treasury supports attempts to restart economic growth and development, foster good governance, ensure the accountable, efficient and sustainable management of our public finances and re-establish our macroeconomic stability. Thank you.

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Mr A M SHAIK EMAM: Hon Chairperson, the NFP welcomes the Budget Review and Recommendations Reports, BRRR, of National Treasury tabled here today. It is a pity that my colleague, hon Wessels, has left the room. He wanted to know how we ended up where we are. I wanted to tell him how we ended up where we are. We ended up where we are because of hundreds of years of oppression. We inherited a bankrupt state. Corruption was the order of the day, manipulation was the order of the day, and maladministration was the order of the day. That is why we are where we are today.

Let me also remind this House that our people have been deprived of good quality health, water, electricity, sanitation. They were dehumanised and could not live in dignity. You can really not expect to achieve all this in 24 years. It is not an easy task. The apartheid regime of some of my colleagues here on my left, in pre-1994, had this calculated move to take anyone that was not white and dumped them into certain corners, deprived them of all the privileges that they were supposed to have enjoyed. It is as a result of that today that we are where we are. So, let us not expect any miracles in terms of that.

At the same time, we made a lot of mistakes and I think the time has come where we must learn from our mistakes and correct.

[Interjections.] Yes, let me answer. Let me answer the question on

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the “we”. You see, my colleagues on my left want to know about “we” because they are not part of the solution. For them it is “us and you”. They want to keep power. They want to maintain that control. That is why you would find how badly they have messed up the Western Cape.

MS T V TOBIAS: Chairperson, on a point of order: The members of the DA are drowning the speaker. I cannot hear his point.

The ACTING HOUSE CHAIRPERSON (Ms J L FUBBS): Hon members, let us hear the speaker.

Mr N L S KWANKWA: Chairperson, I want to correct that. It is actually the cheerleaders of the ANC who are drowning the speaker.  
[Interjections.]

Mr A M SHAIK EMAM: Allow me to also comment on another issue. Not a single... Let me repeat, not a single political party on my left ... I repeatedly hear them talk about corruption on the rise, but not a single one spoke about the Western Cape’s High Court’s decision that the DA was corrupt with a R113 million tender. Not a single one on the left spoke about Helen Zille’s corruption.

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Ms VAN DAMME: Chair, I ask this question with tears in my eyes and with pain in my heart: This man has been begging for a job for the longest time. Can the ANC take pity on him? It is painful. I have tears in my eyes for him. [Interjections.]

Mr A M SHAIK EMAM: Maybe hon Van Damme should ask them why they demoted her. [Interjections.]

The ACTING HOUSE CHAIRPERSON (Ms J L FUBBS): Hon Macpherson, please. I would like you just for a moment to wait for order. [Interjections.] Hon members, I am waiting for a little bit of lower volume.

Mr A M SHAIK EMAM: Tell the hon Cassim not forget how, when he went to Israel and Palestine, he had to get a special permit written in Hebrew. Tell him that. [Interjections.] He will not talk about that one. He knows what we are talking about.

I was talking about the issue of corruption.

Mr M J FIGG: Chairperson, on a point of order: The member is misleading the House. [Interjections.]

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The ACTING HOUSE CHAIRPERSON (Ms J L FUBBS): Hon members! Hon Hlengwa, I cannot hear the point of order.

Mr M J FIGG: Chairperson, the member is misleading the House. That is far from the truth.

The ACTING HOUSE CHAIRPERSON (Ms J L FUBBS): I have not heard the point of order.

Mr M J FIGG: I am rising in terms of Rule 92. The member at the podium is misleading the House. He is not telling the truth. The statement that he is making is far from the truth.

The ACTING HOUSE CHAIRPERSON (Ms J L FUBBS): That is a very serious allegation.

Mr M J FIGG: It is a serious allegation.

The ACTING HOUSE CHAIRPERSON (Ms J L FUBBS): According to the Rules, we cannot simply make that sort of allegation without substantiating it. We really cannot.

Mr A M SHAIK EMAM: I don't know why hon Cassim is running away from the fact that he needed a special permit to visit Palestine. It was

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in Hebrew. They had to write it in Hebrew to give the message. He knows what we are talking about.

We were talking about the issue of corruption. The right-hand man of Helen Zille gave R70 million worth of contracts to his mother-in-law and his right-hand person. Why is none of these political parties talking about that? It is because they don't want to find solutions. As long as there are problems, they can grandstand. When it is time to find solutions in the interest of the people, they don't want to do that.

The ACTING HOUSE CHAIRPERSON (Ms J L FUBBS): Hon member, please take your seat for a moment. Hon members, it is one thing to say that a hon member is misleading the House. That is one issue. It is quite a different issue to allege that the member is being untruthful. So, let us remember to remain parliamentary in the House. We don't want to prolong the debate unnecessarily. So, let us allow the hon Shaik Emam to continue.

Mr A M SHAIK EMAM: Hon Chair, it is very difficult because my colleagues on my left don't like to be told how corrupt they are. That is the crux of the problem. Be that as it may.

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State-owned entities that pose a risk must be put under management, to get it back to profitability or viability. There is no reason why a government entity, if run on business principles, cannot be viable.

Mr M J FIGG: Chairperson, it is one thing to raise a point and to debate, but when you make false statements, then it is a serious allegation, not for myself ... Chairperson, I want to make my point. The member at the podium had said that we are all corrupt and that statement is false. He cannot make a statement like that.

The ACTING HOUSE CHAIRPERSON (Ms J L FUBBS): Hon member, that is a point of debate. He is not directing it to any one member. Let us stop making these points of order unnecessarily.

Mr A M SHAIK EMAM: The Western Cape High Court's decision is public knowledge. So, I don't know what my colleagues are talking about.

Mr D MNGUNI: Hon Chairperson, on a point of order: I rise in terms of Rule 69. In terms of that Rule, the DA has had their space and speaker and we all listened, although some of the things they were saying were untruthful. They now raise spurious points of order. This is the third one. I ask you to rule in terms of Rule 69, so that this grossly disorderly conduct should not be allowed. You

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should also caution the DA that they degenerate the debate. We are interested in this debate. Raise your facts, but don't be disruptive. We want to hear the debate and we will win the debate, as you have seen already.

The ACTING HOUSE CHAIRPERSON (Ms J L FUBBS): Hon members, before we allow hon Shaik Emam to continue, ...

Dr M J FIGG: Chairperson, on a point of order: ...

The ACTING HOUSE CHAIRPERSON (Ms J L FUBBS): No, please take your seat. We already have a point of order behind you.

Dr M J FIGG: It is another point of order.

Mr D W MACPHERSON: Chairperson, if the hon Mnguni is so concerned about not being able to hear what the hon Shaik Emam is saying, is there no way that hon Shaik Emam can just tell him at the ...  
[Laughter.] [Interjections.] That is where they are going to interact with one another.

The ACTING HOUSE CHAIRPERSON (Ms J L FUBBS): You are not raising a point of order. I want to appeal to all members on both sides of the House, but in particular, one or two, please, don't raise these

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little points of order, which are really leading to a disruption. Some very serious statements were made by different speakers. This is a debate. Allow the hon member to conclude. Thank you.

Mr A M SHAIK EMAM: On the issue of illicit financial flow, it is a two-way thing. We have a serious problem. Yesterday, hundreds of businesses, particularly the foreign businesses and the big businesses, ... There is money that is leaving the country unaccounted for. I think it is a matter that we need to deal with.

Equally, we also need to deal with the financial flow into the country where political parties are being funded to destabilise the country. That is also a matter that we need to look into very seriously and how they are getting their money under table in the brown envelopes. We need to look into that very seriously because that is destabilising the country.

That continues. You can see what happens in terms of the R600 million that the DA was supposed to get from Israel. Again, that was corruption. That is what they were going to do. That is how they were going to benefit. [Interjections.]

It does not mean that because we stopped them, they are not going to get it. It is going to continue. It is going to continue. It is

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going to come underneath the table. Some of them go and visit there. They collect these brown envelopes and it continues. So, we need to put measures in place to stop them.

Minister, on the issue of state-owned entities, like I said before, if any state-owned entity is not performing, we must take drastic measures. The time has come now, even if it means, we need to put them under management. We bring them back to profitability so that they can now become a viable organisation. The NFP supports this report tabled here today. Thank you. [Applause.]

Mr N F SHIVAMBU: Chairperson, I did not want to raise a point of order because the speaker was still at the podium. However, when he said that he coming to debate on the BRRR process, ... It is not the BRRR; it is Budget Vote process. So, I think we must just ignore everything else that he said and then we proceed, because he missed the point completely. [Laughter.] If he wanted to speak, he can speak anywhere else but he must at least understand the basic things we are busy with. Thank you.

Mr S N SWART: Chairperson, the ACDP also welcomes Mr Nene back as Finance Minister, he who took a stand against state capture, welcome sir. One of the most insightful comments was made earlier this month was by the National Treasury director-general, when he warned that

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South Africa is at risk of becoming a failed state because of state capture.

He stated that "we have to ensure that we take a stand. We are not a failed state but we are on the verge of becoming a failed state and we were party to that."

In a frank admission, he said that "We've looked the other way for many years as public servants and we should not... we should take a stand and not be forced to do what is unlawful."

Well done sir for saying those statements but the sad situation is that there are many public servants that are being forced to do what is unlawful. For how much longer are we going to tolerate that? And we from the ACDP side appeal to all public servants that are being forced to do things unlawfully to report that. You're under an obligation to do that, in terms of the Corrupt Act and reported to us here in Parliament.

Thankfully, we are all in the process of recapturing state. And if you think this process was limited to the Gupta's and Mr Duduzane Zuma, you'd be very mistaken. Fraud and corruption run very deep and need to be exposed and dealt with at every level of society, including in the private sector.

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However, there is far more that we as parliamentarians can do if there is the political will. We illustrated that when the cleaning out the rot at the SABC; we illustrated that in the Eskom Inquiry, which was conducted under severe pressure, death threats and acts of intimidation.

The ACDP wishes to commend all the Members of Parliament, MPs, across political parties that stood firmly in exposing the rot at Eskom. While National Treasury appeared to do its best to stop or at least limit the rot at Eskom, its report on the Tegeta coal contracts is an example of this. There can be no doubt that more can and should have been done, particularly way back when we have the release of the Public Protector's State Capture Report.

What did SA Revenue Services, SARS, Treasury and Financial Intelligence Centre do? They could have done more to stop the billions from leaving the country. And can these funds be recovered? Yes, they must. We have already seen that the asset forfeiture unit has obtained certain preservation orders. But we can't wait for the outcome of a commission of inquiry, we need to take steps now to bring those corrupt people back to South Africa to face the law and to return those funds; R1 billion is what McKenzie said they'd return to South Africa, it is yet to be returned to us.

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The sad part just as Eskom, as an example, is that it was allowed to be captured to benefit the interests of a few and the once world-leading power producer will probably show a financial loss for this year. This coming off an asset base of more than R700 billion is disgraceful!

The ACDP welcomes the reduction of R85 billion over the medium-term, but it should flow from greater efficiencies in government and the reduction of corruption, rather than at the expense of service delivery.

We also welcome measures to address the shortcomings at SARS, and the R48 billion shortfall in tax that was collected; this is disgraceful. We share the committee's concern as expressed in the committee's report that the gravity of these issues at stake including the exodus of senior staff and how SARS managed various allegations against senior staff members, and the SARS disbandment of the High Risk Investigation Unit, and KPMG's role in this must be addressed. That commission must sit and we are grateful that at least Parliament is exercising oversight.

But lastly, in the few seconds, let us have more of those types of inquiries, like the Eskom inquiry, the SA Broadcasting Corporation, SABC, inquiry; let us set time aside that we as MPs can go deep into

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what ... as we exercise oversight; let us do that because we are constrained to do that as we exercise our oversight. Thank you very much. [Applause.]

Ms G S A NGWENYA: Chairperson and hon members. Treasury has legislative responsibilities regarding municipalities.

[Interjection.]

AN HON MEMBER: Members must leave Gwen alone, it's her maiden speech hon m ...

Ms G S A NGWENYA: These responsibilities include: To promote good budget and fiscal management, and for this purpose to monitor the implementation of municipal budgets, including their expenditure, revenue collection and borrowing; To monitor and assess compliance with the Municipal Finance Management Act, among others, as well as any applicable standards of generally recognized accounting practice ... [Interjction.]

Dr M J FIGG: Chairperson, sorry to interrupt. The disruptive ANC, this is the member's maiden speech, you've ... [Interjection.]

The HOUSE CHAIRPERSON (Ms J L FUBBS): Hon member, I haven't recognised you yet; allow me to recognise you. Can I hear it?

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Dr M J FIGG: Chairperson, you've made a statement that it is the member's maiden speech, but the members of ANC continue to disrupt the member.

The HOUSE CHAIRPERSON (Ms J L Fubbs): Hon members, let us hear the speaker, especially in a maiden speech. But quite frankly ...

[Interjections.] Hon, members! Hon Ngwenya!

Ms G S A NGWENYA: Treasury also has an investigative obligation, this investigative obligation includes making sure that any financial system and municipality or municipal entity are investigated and to ensure that there is compliance and to recommend improvements.

And lastly, but not exhaustively, Treasury must also take appropriate steps where a municipality or municipal entity has committed a breach of its fiduciary duties.

Treasury is regarded as the last bastion of institutional excellence in South Africa. However, the state of our municipalities reflects a department that is struggling to promote a culture of fiscal prudence and good practice.

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Of South Africa's 257 municipalities, 87 are labelled as distressed; 11 municipalities are under section 139 interventions - meaning they are under some form of administration; 112 municipalities have adopted unfunded budgets in the 2017-18 financial year. This means that these municipalities will not be able to finance their expenditures by the time the fiscal year ends in June.

Despite the state of disarray, in a reply to the DA, the minister revealed that only 14 municipalities have financial recovery plans. Around 85% of the municipalities which are under distress or have adopted unfunded budgets are governed by the ANC. This illustrates an important link between fiscal management and political leadership. The root problems need to be addressed; these root problems include ... [Interjection.]

The HOUSE CHAIRPERSON (Ms J L Fubbs): Hon members, this is a maiden speech. Will you continue hon Ngwenya?

Ms G S A NGWENYA: These root problems include weak political leadership and cadre deployment. There is a failure in these municipalities to employ the right people in the right jobs who have the records of skills and experience to manage finances at the local government level. Including also political dishonesty, ANC

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government has a tendency to overpromise relative to the fiscal reality and therefore under deliver inevitably.

Our municipalities have sent out a fiscal distress [Inaudible.] mayday, mayday, mayday, is the sound that rings across the country; they are begging to be rescued from the ANC. We must tell them that unless there is a change of leadership from the ANC to the DA help will not be coming. [Applause.]

Ms D G MAHLANGU: Hon Chairperson, hon Minister, hon members, our guests, officials of Treasury and the state-owned entities, SOEs, good morning. Let me start by saying that as the ANC we fully support Budget Vote No 7. In the year as we honour two greatest servants our nation, uTata uNelson Mandela and uMama uAlbertina Sisulu, we are reminded of Madiba's words and I quote:

As long as many of our people still live in utter poverty; as long as children still live under plastic covers; as long as many of our people are still without jobs; no South African should rest and wallow in the joy of freedom.

The new dawn, "Thuma Mina" is well aware that revenue collection is driven by the state of the economy, the fiscal policy choices that we make, and that administrative efficiency and tax morality

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determines taxpayer compliance. The ANC under the leadership of hon President Ramaphosa has demonstrated its seriousness in addressing obstacles on tax administration such as business and consumer confidence, tax morality and the credibility of the tax administration. He means business.

We wish to congratulate SA Revenue Service, Sars, for good work, having collected a total of R1,2 billion for the financial year 2017-18, representing a growth of 6,3% from the 2016-17 financial year. In the same spirit, we salute the 14 000 Sars employees, the executive and ordinary hardworking South Africans for this revenue injection. This is a demonstration of our resilience as a nation to overcome obstacles, challenges and our commitment to protect and deepen our democracy.

Ensuring efficient tax collection can never be over emphasised as it is the pillar of our economy. Ninety percent of our budget comes from revenue collected by the SA Revenue Service. This massive contribution forms the basis of our fiscal framework and is critical in consolidating our national sovereign debt, funding our social welfare, education, health, infrastructure development, job creation and all other social services.

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The ANC is determined to restore and rebuild public trust and credibility with taxpayers, traders, our stakeholders, our partners, and fellow South Africans. It is therefore critical that all taxpayers and citizens always have full confidence that every cent provided to the fiscus will be well spent and that they will all be treated with the highest level of service, with dignity, respect and fairness. We therefore urge the President to speed up the establishment of the Commission on Sars as soon as possible. Having said what I have said, this does not say that we do not acknowledge or see that there are challenges within, but we are congratulating the workers and South Africans.

We acknowledge that significant measures are already being implemented to deal with challenges regarding tax collection. You have heard what the Minister has said and the commitment that has been done by our President. The ANC called on the Minister of Finance, hon Nene, to mitigate the impact of VAT increase on the poor by increasing the zero-rated items. We therefore support the appointment of Prof Ingrid Woolard by the Minister of Finance to lead this process, together with prominent experts.

Allow me to say that it is not a mistake if we find ourselves as the ANC having to support something. We understand the situation that the government has found itself in because it had no choice but

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introduce VAT as an option. How do you think that we can take such a decision on the eve of the elections? We had no option but to take this decision. [Interjections.] What I also appreciate on what the hon Minister has said is that he is not just talking for the sake of talking, he is making a commitment. He has just said that the Walmart has been given until June and by June we expect a report as the committee. Furthermore, the ANC supports the decision to refer the Rates and Monetary Amounts and Amendment of Revenue Laws Bill to National Economic Development and Labour Council, Nedlac, for more consultation and consensus, because we are a party that listens, and a party that cares, we know ...

*Sepedi:*

... gore batho ka mo ntle ka mo ba a lla.

*English:*

And the issue of introducing that and trying to mitigate and intervene is affecting mostly the poor and the unemployed, hence we are saying we still need to engage further on the matter of VAT.

The ANC commits itself in this centenary year of celebrating our icon, the father of the nation, that it shall do everything possible and beyond to address the challenges of poverty, unemployment and

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inequality, as a fulfilment of the Freedom Charter and inspired by uTata uMadiba. Allow me to quote him:

Like slavery and apartheid, poverty is not natural. It is manmade and it can be overcome and eradicated by the actions of human beings. And overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life. While poverty persists, there is no true freedom.

We are saying as the ANC again that we support this Budget Vote No 7. We are saying that we are committed to every single word we have said in front of South Africans.

*Sepedi:*

Ka tumelelo ya gago Modulasetulo, ke be ke kgopela go bolela le bao o ka rego ba sa le borokong - ba a lora. Ke kgopela gore Modimo a ba thuše ba se ke ba lora go fihla mo ka gore ba tla re botša tše di sego gona. Baporofeta ba maaka! Ba re bona ngwaga wo o tlogo ba tlile go tšea pušo mola ba tseba gabotse gore ba ka se e bone, bjale ...

*English:*

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... hon Wessels, you were lost my dear hon member. You were talking about something else. I am going to leave that to the Chairperson to deal with it. I am saying to South Africans that we are rebuilding; we are committed; we are prepared; sithi thumani thina [we say send us], we are going to work. Amandla!

Mr L R MBINDA: Session Chair and hon members of this House, the PAC continues to argue the structural posture and outlook of our economic framework as the main cause of the challenges and shortages that we continue to hear of and discuss when we discuss our National Treasury. It is our belief that for as long as we continue to allow foreign corporate companies to come and exploit our means of production and pollute our market, whilst taking the profits to their countries of origin, we will continue to fall short of meeting the demands of our people.

The PAC believes we could afford much more as a nation if the profits of our means of production are utilised for the development of our people. People continue to raise financial shortfalls every time our people call for genuine demands, such as free education, housing and proper healthcare. This is because we allow ourselves to be exploited as a nation. If we all have the political will to take full control of our economy, we can afford free education, and we

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can afford to build better hospitals, roads, and much more. We need to uproot the evil colonial system.

The total main Budget spend of the 2018-19 Appropriation Bill was about R1,3 trillion, with 27% of the total being allocated to current payments, 71% to transfers and subsidies, and 12% to servicing debts. We need to understand these are debts that weren't incurred by us but by the then racist regime. The PAC continues to call for a review of the payment of the debt that was created deliberately by those who were in control because it is delaying our self-determination agenda. The billions and billions of rand we use to pay this debt could have been invested somewhere else in order to develop our people.

National Treasury should play a vital role in returning the land and its resources to its rightful owners. It is not a departmental issue. It is a national issue. The same goes for corruption that steals billions of rand of state money. We call for tighter measures to be put in place to secure state resources from the thieves that are dominating our government resources. Thank you.

The ACTING CHAIRPERSON (Ms L M Maseko): Thank you, hon Mbinda.

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Mr L R MBINDA: With the appointment, don't keep these instructions. With your appointment, hon Nene, we give you the benefit of the doubt. [Interjections.] Yes, I know he is here. [Interjections.] No, sorry for my Minister of Police. [Interjections.] We support the Budget Vote. [Laughter.] [Interjections.]

*IsiZulu:*

USIHLALO WESIHASHANA (Nk L M Maseko): Isibongofana, engithi oNene bonke.

*English:*

Any Nene works. Thank you very much. The hon Godi is not here. I now call on the hon Mazamba.

Mr R A LEES: Madam Chair, I belong to South Africa and no ...

[Inaudible.]

The vision for South Africa as a caring society which cares for all its people is one which I believe is shared by all of us in this room today. Minister Nene, we welcome your comments to limit government exposure at state-owned enterprises, SOEs, and the recapture of those SOEs. However, I am afraid after your speech I am not any wiser as to the details of how that is to be done, but whatever you do, we will support you to achieve that outcome. What

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baffles me is why the ANC dogmatically clings to the SAA vanity project which has siphoned off, and will continue to siphon off, billions of rand from poor South Africans to subsidise the rich.

Over the last six years, SA Airways, SAA, has lost a staggering R21,4 billion. This is enough money to increase the child grant to R450 per month, to build 612 schools, to fund three-year bursaries for 88 600 undergraduate students, and so the list of missed opportunities goes on.

In the 2018 financial year, R10 billion in taxpayer bailouts were paid to SAA and, despite this, before the end of the 2018 financial year, SAA had run out of cash and was approaching banks for a further bridging loan. Banks apparently refused to lend any money to SAA even on the back of government guarantees. In what seems to have been a desperate move, we hear that a commitment letter – a commitment letter – from National Treasury was conjured up and was somehow used by SAA to persuade banks to provide R5 billion in bridging finance.

This appears to be a guarantee of the guarantees already given to SAA. Was this commitment letter a scheme in order to avoid using section 16 of the Public Finance Management Act to pay SAA unbudgeted funding for the third time in 10 months? Was this

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commitment letter even lawful? The contents of this commitment letter remain a mystery except that the SAA chief executive officer informed the media that the letter included a National Treasury commitment to inject capital into SAA. There is no provision, as the hon Tobias said earlier, to provide capital for SAA included in the budget we debate here today, so where is this capital injection to come from?

Minister Nene, I have no doubt that fixing SAA is very high on your priority list. Does this commitment letter exist, and were you consulted in advance about it? If it exists, what are the contents of this letter? Did you sign the letter? Was the letter approved by Cabinet?

Minister Nene, as has been said by several speakers this morning, you have a reputation of doing the right thing. We await urgent answers to these questions. South Africans are counting on you to stop the bailouts to SAA.

*IsiZulu:*

Nqongqoshe, sithemba ukuthi ngeke uphinde uvume ukuthi i-SAA inikezwe enye imali yabantu bethu. Ngiyabonga. [Ihlonbe.]

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Mr Y I CARRIM: Chairperson, comrades and colleagues, now today we are told that we are rubberstamping the fiscal framework and the budget. Now, I refer you to the reports we write. In this very year we have said that we do not unconditionally approve Minister, wherever you are, the VAT increase of 1%. At most what we said Minister was that maybe it is justified if enough zero-rated and other propoor provisions are allowed for within a two year framework. We only said it is reasonable. So, there is the test. In fact we brought forward the public hearings on the VAT Bill as we call it. We in fact have told the Minister that he must expand based on the NGOs submission, the panel and expand their terms of reference and we wait to hear from him and in fact he does not within seven days, I will have to write to him on behalf of the committee.

Secondly, we are told by the DA by Mr Maynier about fiscal responsibility. Now what about responsibility to the poor and the disadvantaged? What about responsibility on service delivery and development? Why indeed are we going back to neoliberalism? Why are we going back to a discredited approach?

We of course as the ANC, support fiscal responsibility, provided it is responsibility to the poor and the disadvantaged. Provided it advances a national democratic struggle. Provided it is consistent

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to the Reconstruction and Development Programme, RDP, the new growth path and other policies. So, let us not go back to neoliberalism, please. Where is the progressive liberalism of Coleen Eagle and I keep asking? Where is that? [Applause.]

Mr D J MAYNIER: Not here.

That we can entertain and engage with. And indeed Mr Maynier knows all so well that we are amending the Money Bills Act as the first of the two trans process that we will be voting on next week. It will be in the House when we get back in August and then we going to be engaging further on amending the Money Bills Act.

So, on fiscal responsibility yes, provided it is not at the expense of the poor and the disadvantaged. Then very quickly, the conceptual confusion and outcomes delusion of Comrade Floyd Shivambu. Let us start with the conceptual confusion. [Interjections.]

There is no inconsistency and the Minister has no doubt you will say, there is no inconsistency between saying that you do not want to increase co-operate income tax and the other hand saying go for illicit financial flows and now Comrade Shivambu illicit tobacco trade. We are clear Minister, we do not buy what SA Revenue Service, Sars, is offering us we feel you must do more and last week your

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colleague Comrade Pravin said, R50 or R100 billion is gone. No, we want that money back, it belongs to this country. And quite frankly Minister we have written to you and your predecessor and we want it within 14 days. [Applause.] Look at our report. Look at section 5(9) or whatever it is on our report and section ... whatever it is, it is on page whatever ... right. Alright. [Laughter.] You will find it and it is very clear there Thandi, you were here and I was not here. We did this in 5,8 and 5,9 we are very, very clear, we want the money that belongs to the people.

Minister, that money does not belong to you, it does not belong to Sars, we do not except Minister - we cannot prescribe to the President on Interministerial Task Teams, I was there and I know, but we have asked you to do it last time, not you sorry, your predecessor. Now, whatever your predecessor did not do, you have to do. So, we are saying to you, within 14 days, we want an answer from you. What have you done to set up an Interministerial or to propose to the President an Interministerial Task Team on illicit financial flows and illicit tobacco trade? We want that and more co-ordination and cohesion. [Applause.]

Tomorrow we are going to haul the SA Revenue Service, Sars, here before us and, comrades, let us abide by decisions we take. The SA Revenue Service must answer to us: What have they being doing? Mr

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Kinhon, the Commissioner is here we want you to deliver. Alright. Some of us may not be here like me next year this time, but others will ensure that this gets done.

On illicit financial flows no compromise, no compromise what so ever. Alright. On illicit tobaccos, no compromise.

Now, let us come to Comrade Floyd Shivambu. Alright. There is a very simple delusion he has. Comrade Floyd, you know, you know that in order to have a government policy and in order to be in government you have to win an election. [Laughter.] Now, you have a slight problem there Comrade Floyd. You have a 6 to 8% at the moment and you seem to be crumbling because you are saying the same things you have said all along. By the way why do you taking ANC policies and making them yours know full well we decided when you were in the ANC itself that we will have state-owned bank. [Laughter.] You know my brother! You know my brother! You know what you said! Floyd! Floyd! You are a wonderful researcher. You know full well that in December 2017 we took yet another decision to ensure that SA Reserve Bank, SARB, is in national hands. The SARB is private ... [Interjections.]

Mr T W MHLONGO: Chairperson, on a point of order.

The ACTING CHAIRPERSON (Ms L M Maseko): Hon Carrim!

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Mr Y I CARRIM: Sorry, yes.

The ACTING CHAIRPERSON (Ms L M Maseko): "Ja." Please wait a minute. Just keep on standing. Hon Njomane.

Mr Y I CARRIM: I do not know where to sit, so I am standing.

Mr T W MHLONGO: The Bolshevik dislodged the Mensheviks; hence the EFF will definitely become a government. Thank you.

The ACTING CHAIRPERSON (Ms L M Maseko): On what point are you rising? The hon Shivambu.

Mr Y I CARRIM: Floyd! Floyd! What is the point of order?

Mr N F SHIVAMBU. Chairperson. Look there is nothing wrong with the Chairperson of the committee debating. So the policies in which you are legislating on, I am the founding manifestor of the EFF and adopted in 2013. You only took resolutions now in 2017. They must admit that and they must not mislead this process. He must be honest at least in terms of what he is talking about. Do not start confusion.

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The ACTING CHAIRPERSON (Ms L M Maseko): Hon Shivambu, please take your seat.

Mr Y I CARRIM: Can I continue Chairperson?

The ACTING CHAIRPERSON (Ms L M Maseko): Please continue hon Carrim.

Mr Y I CARRIM: Now, now, let us go to something else. Comrade Shivambu knows full well that actually we have a Post Bank Bill coming up. Alright? We have also written a report on financial ... [Inaudible.] ... to transfer which he adopted and they opposed and you were very good there let us add.

No, no, no, there is no ideological ... now you talk about our collective incapacity Comrade Floyd, you have a collective incapacity to increase your vote. Let us start with that before our collective incapacity. [Laughter.] No, my friend there from the IFP who is normally sedate and moderate.

Mr Lees on SA Airways, SAA, let us be clear. We agree to private participation, but no to privatisation. The SAA has commercial viability possibilities. While serving a national developmental task, we will not give up on SAA and the EFF will not agree either so, there we are on the same page.

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On private sector participation yes, on private equity participation yes, on privatisation no and by the way, last week there was unfortunately as the Chairperson said she acted in good faith. Can I clarify something about this? Comrade Thandi, you acted in good faith last week. There was not correct information before the meeting when the decision was taken to close. We have agreed that we can only close parts of a meeting in terms of the rules and the ANC has no intentions of undermining the very rules that we have passed.

Minister, can I make something clear? When the Acting Chairperson was saying that we will pass the Bills, she was referring to the Bills before us, the Tax Administration Bill, the Tax Laws Administration Bill, the Post Bank Bill as we told you and his Private Members' Bill and so on, but no more, no more. Leave his Bill! We have spoken to you on behalf of the committee, we have spoken to the Leader of Government Business, this thing Comrade Chair and can I raise this thing which we have been raising for a long time: Our legislative programme is two executive driven and Parliament is the tribune of the people. It is not for the executive to decide who they can come with their programme, but they cannot decide for us as Parliament not in terms of the National Democratic Revolution, NDR, and our vision of a people's power Parliament. Why do we allow the executive to dictate to us which Bill should come first, we are telling the Minister, you must actually bring Bills

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that only we recognise as urgent, Minister with due respect to you. You were a former Chair of this committee. Do you really expect that before April 2019, we are going to process another eight extra Bills? We have contacted you and the Leader of Government Business, the President's Office, the Chief Whip of the Majority Party and still they are insisting on all these Bills. You are a senior member of the executive, do something! Thank you, very much. [Time expired.] [Applause.]

Mr D MNGUNI: House Chair, I told the DA that we are going to win this debate and we have won the debate.

The ACTING CHAIRPERSON (Ms L M Maseko): Hon Mnguni, please take your seat. Thank you, hon Carrim. The hon the Minister of Finance.

The MINISTER OF FINANCE: Hon Chair, I have actually been verbally abused by the Chairperson of the committee. [Laughter.] We are actually on the same page, the legislation before Parliament is the legislation that is there by mutual agreement between the committee and the executive and we will continue to work - some of these things will take offline. [Applause.] Thank you for the comments and the contributions that have been made. I thank members for some very valuable input that they have made. One of the things that come out of hon Maynier's input is that government has allowed debts to rise

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to unsustainable levels. The factor of the matter is that it was through Parliament that we agreed that during the global financial crisis our response is going to be premised on the countercyclical fiscal policy, which meant that by agreement we will allow debt to increase to the level. Up to this point, we have actually managed that very responsibly.

Therefore, I don't agree that Parliament has actually been rubberstamping the fiscal framework. Parliament has engaged robustly with the fiscal framework. I'm afraid that it is a serious indictment to Parliament that there was not robust engagement. Indeed, this does represent some form of the fiscal responsibility that you are alluding to. However, let us engage on the matter, we are quite happy to engage on this matter and Parliament must give itself time to debate about the issue of the Fiscal Responsibility Rule.

Well of course, hon Shivambu as the old adage goes that theory without practice is sterile and practice without theory is indeed blind. We now know what your formula is of winning elections. You actually just get into bed with the DA and try and see if you can't be on the governing seats. However, the fact of the matter is that the points you raised with regard to the banks - even though we have the Land Bank - you still insist on having an Agricultural

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Development Bank. I don't understand unless in the committee you are able to advice as to how best the Land Bank should execute its functions. I think we are just overstretching and grandstanding on this matter.

The private ownership of the SA Reserve Bank as hon Carrim has also pointed out, I think it serves you better and the opposition bench is not to spend time developing policy, it just wait until policy has been developed by the ANC and then you take it and run with it as if it was your own. [Applause.] That borders on being of very opportunistic I would want to say. It is actually ...

[Interjections.] ... you said it is plagiarism, yes. [Laughter.]

Thank you. I think we should introduce something of that. Of course, you make some very interesting points, one regarding the sovereign wealth funds. Sovereign wealth funds are normally established out of surplus funds and then it will be interesting to see a country that has a debt level that we have calling a debt a surplus would be indeed the most reckless thing for us to do. However, I think we should engage on all of these things. Converting the Public Service Commission, PSC debt and state-owned entities, SOEs, also into equity it is an interesting point indeed. Let's have a debate on that one.

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Hon Hlengwa, you spoke about brain drain and the Treasury being compromised indeed. The institution is standing on its feet and we are working very hard at some of those areas. However, what has happened also with the Treasury is that we produced the skills that would be very mobile and versatile. It is for that reason that the Treasury is able to - across departments - to transfer skills, but also even into the private sector and else where in the world and that is what the Treasury has been doing. We have a very simple principle, whoever leaves the Treasury will leave the door open and we have seen a number of people taking advantage of that.

Indeed, the issue of the value-added tax, VAT, Baba Kwankwa, that we do need to grow the economy, he's no longer in the House But, at the end of the day ... [Interjections.] ... Oh, I'm sorry, yes. Of course, the issue of corporate taxes, indeed, when Parliament debates these things we are actually need to be sober about what it is that would be in the best interest of the broader South Africa without necessarily placing each other in different compartments. The actions that we are taking - if you say that we should have taken it prior to the implementation of VAT - you cannot take that action before VAT has been implemented. However, once it is implemented in the first place this is not a new thing, there are already zero-rated items. What we are saying in order to mitigate the impact we need to expand it, and for that reason we are taking a

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responsible step that says " put this in front a committee and allow input to be processed and it is after that that we will take an informed decision.

Of course, should the economy turnaround and produce better revenues there will be no reason. In fact, we can even scrap the taxes if there is any other form of bringing money into the state other than taxes. It is a matter of wanting to go to heaven and not wanting to die. [Laughter.] Of course, Mr Wessels talks about corruption and I think Shaik Emam was very correct in saying that if we want to know how we got here, we got our liberation and transparency kicked in and we put in place a legislative framework that exposes and deals with all of the ... [Inaudible.] ... that was never case in the past. It is on the basis of our Public Finance Management Act that we deal with the issues. It is on the basis of all our legislation that we deal with these things.

On illicit flows again I thought I was trying to look at the Director-General of the Financial Intelligence Centre but also with SA Revenue Service, Sars, that South Africa is signatory to the Automatic Exchange of Information. All of those majors have been taken because South Africa all of these flows flow into various jurisdictions. Important steps to take is therefore then to take advantage and make use of such instruments as the Automatic Exchange

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of Information and becoming members also of such structures that we are then better able to get into those countries and be able to recover what the country has lost.

Indeed, as the director-general indicated that we are not a failed state, but it is up to this collective in this room here today and what we do also as individuals that we prevent our country from being a failed state. It is when we all take our responsibilities seriously and stop grandstanding on issues that are actually bread and butter issues that relate to the lives of our people. Indeed, we will speed up the establishment of the commission as I said in my input and hon Mahlangu that the President is in the process of finalising the establishment of a commission and quite soon I just cannot give the dates, but quite soon the commission will be operational. Everything has been put in place and it is at the very advanced stage. However, all of these things are approached with the care and due diligence that they require.

Baba Mazambala, the details of the letter - you know a letter of commitment we have a process of processing guarantee. The letter we are referring to is not a guarantee. I think it is for that reason that perhaps there was misunderstanding in the committee because when we sit down and discuss some of the sensitive matters and then we go out in the public domain and create an environment where it

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becomes difficult for some of our state-owned entities to be able to play in a competitive environment where there are other competitors and some of the information is not the information, but as a member of the committee we need and entitled to do it. We are quite happy to share that with you and to get you to understand exactly how these things are done.

The Chair also has indicated that with state-owned companies there now is a private sector participation framework that is in place. It is intended to make sure that those state-owned entities are able to attract private investments, but cannot be privatised for reasons as this House will agree also that some of these entities we are talking about have an element of a developmental mandate that they need to execute. Therefore, the Chair of the committee has called on the establishment of Integrated Marketing Communications, IMC, on illicit flows. I think we take the matter quite seriously. It is matter that we should follow due processes and see how best that can be implemented at the executive level.

Once again I want to take this opportunity to thank all members who have given the support to the Budget Vote of the National Treasury and I make an undertaking here that we will do everything humanly possible to make sure that we, indeed, recapture what has been lost of the state and bring it back in new Agricultural Development Bank.

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The National Treasury is just the implementer. Thank you very much.

[Applause.]

Debate concluded.

The ACTING CHAIRPERSON (Ms L M Maseko): Thank you very much, hon Minister. Hon members, this was one of the three mini-plenaries that was sitting today and bringing the end to the process of mini-plenaries. From this afternoon, at 14:00 we are reminded that the House plenary to debate the Parliament's Budget Vote 2 will take place at the National Assembly Chamber. So, that concludes the debate and business of this mini-plenary session. The mini-plenary will now rise. Thank you.

The mini-plenary session rose at 12:19.