**THURSDAY, 11 JULY 2019**

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

Members of the mini-plenary session met in Committee Room E249 at 19:06.

House Chairperson Ms M G Boroto took the Chair and requested members to observe a moment of silence for prayer or meditation.

**APPROPRIATION BILL**

Debate on Vote No 7 – National Treasury:

The MINISTER OF FINANCE: Madam Chairperson, hon Members of Parliament, I am pleased to present Budget Vote No 7 for the National Treasury, and in this regard, I wish to thank the chairpersons and members of the Finance and Appropriation committees for their role in discussing the matters presented before them.

In February, I brought to this House the resilient and evergreen Aloe Ferox. It’s something like that. Today, I address the House against the backdrop of growing fiscal challenges. I remain convinced that the Aloe still encapsulates what we aspire to be as a National Treasury and as a country — resilient and evergreen.

The total allocation to this Vote in this financial year is

R30,8 billion. This allocation will allow the National Treasury to conduct research on the economy together with our partners in and outside of government, and develop policies to maintain fiscal stability and promote economic growth. Together with the SA Reserve Bank, the National Treasury also ensures the stability of the banking sector and the overall financial system. It also co- ordinates intergovernmental fiscal relations; manages the budget process for government and the revenue estimates of the state; and enforces transparent and effective management of revenue, expenditure, assets and liabilities. This allocation includes transfers to the SA Revenue Service, Sars, the Financial Intelligence Centre, FIC, the State Security Agency and our commitments to multilateral financial institutions. It will also include contributions to civil and military pensions.

In the state of the nation address, the President gave an honest, clear and sobering outline of the current economic situation. He stated, “Our economy is not growing. Not enough jobs are being created”. He therefore called on all of us as leaders in our various fields of human endeavour to focus on, “those actions that will have the greatest impact” and those actions that will, “catalyse faster movement forward”.

In the last few years, South Africa’s economy has significantly underperformed. Growth has lagged behind global and other emerging market countries; real gross domestic product, GDP, has grown slower than population growth for five consecutive years; and our current GDP performance on a per capita basis is the weakest since the 1960s.

Although global conditions have at times been unfavourable, especially in respect of capital flows, domestic constraints have become the main cause of persistent underperformance. For example, the first quarter GDP contraction of 3,2% was fairly broad-based, indicating that the potential for long-run growth is dominated by downside risks, and that domestic structural factors abound.

What are the reasons for this poor economic performance? As indicated, the National Treasury engages in extensive research and has identified five primary impediments to growth. Not in any order of importance, they are: Inefficient and poor quality public service delivery; Poor education outcomes; Poor productivity; Inequality; and Unemployment.

The recent economic performance requires an acceleration of government’s efforts to address constraints to growth — your so- called binding constraints — while continuing to provide support to vulnerable groups, and the National Treasury will be at the forefront of all of this. What does government therefore need to do?

Firstly, continuously promote policy certainty;

Secondly, resolve our state-owned enterprise, SOE, challenges to restore fiscal sustainability;

Thirdly, ensure security and reliability of electricity supply;

Fourthly, continue working to attract investment; and

Finally, streamline and make government regulations more effective, while making it easier for businesses to register, innovate, export and create jobs.

In this context, the issue of SOEs, which was discussed in the previous committee just now, is critical. Eskom presents the biggest risk to the fiscal framework because of its financial problems and its negative impact on the lives of South Africans. Given the high risks to the economy of a systemic failure if Eskom were to collapse, government is urgently working on stabilising the entity, while developing a broad strategy for the future. In addition to the support announced during the February Budget, I am considering introducing a Special Appropriation Bill in the House on 23 July this year after consultations with the parliamentary management, to make available additional funding to Eskom for the current and next financial year. As indicated in the February Budget, the National Treasury, in consultation with the Department of Public Enterprises, has developed the terms of reference and scope of work for the chief restructuring officer. The appointment will be made.

Once the annual Appropriation Bill currently before Parliament becomes law, additional financial support will be provided from the

contingency reserve account to SOEs, namely SA Airways, SAA, the SA Broadcasting Corporation, SABC, and Denel.

However, I must emphasise that this additional government support cannot be a blank cheque to these SOEs. We really and truly cannot go on like this. A broad strategic framework in the form of a Green Paper which will culminate in a White Paper will be published. This will deal, amongst others, with the role that government expects of SOEs in a fast-changing micro and macro-economic environment. In some cases such as in aviation and in broadcasting, various companies are making profits and providing good quality services.

Let me just repeat this. In some cases such as in aviation and in broadcasting, various companies which operate in these sectors are making profits and providing good quality services, yet some of our SOEs in the same sectors, operating under the same economic conditions, are relying on government bailouts. We cannot allow this to continue.

Let me remind the House of the package of measures government wants to implement or is implementing to stimulate economic growth. These were outlined by the President in September last year:

Firstly, implementing growth-enhancing economic reforms such as broadband spectrum allocation — and we’ve heard the Minister of Communications making announcements in this regard — restructuring the electricity sector and regulating the transport sector to lower prices;

Secondly, reprioritising public spending to support job creation and economic growth such as, for example special allocations to the Land Bank to support emerging farmers;

Thirdly, establishing an infrastructure fund which will be based and managed by the *Development Bank of Southern Africa*, DBSA;

Fourthly, addressing urgent matters in education and health, and I’m pleased to say that in the health sector, the Minster of Health has already been able to identify a number of bottlenecks which have been causing problems for us. He briefed me about that this afternoon; and

Finally, investing in municipal social infrastructure improvements.

The current economic performance will have a substantial impact on our fiscal stability, requiring tougher and strategic choices. Up to

now we have maintained real growth in spending and the Budget tabled in February reflected a real increase that is above inflation, of 2,4% in spending estimates. It will be difficult to sustain this momentum if we do not decisively address certain aspects of government spending, especially for underperforming programmes. In this regard, we need to look carefully at those government programmes that can be recalibrated to improve their performance and to lessen their reliance on the fiscus.

There are serious challenges in our municipalities and as the president of the SA Local Government Association, Salga, reminded us the other day, we all live in local governments and therefore we have an interest in the proper functioning of local governments. The Auditor-General presented his findings on local government finances on 26 June 2019 and needless to say, the outcomes are very disappointing. In this regard, I will be working very closely with the Minister of Co-operative Governance to address some of those issues.

We are rebuilding our damaged institutions and restoring good governance, and appointing strong leadership to various entities. In this regard, you are aware that, based on the Nugent commission of inquiry, we have now appointed a new commissioner for Sars, Mr

Edward Kieswetter. Congratulations sir. I think he might be somewhere in the House. [Applause.]

We are also pleased to welcome a new interim board of directors for the Public Investment Corporation, PIC, and we wish the members well in the performance of their duties.

In the SA Reserve Bank we welcome the reappointment of Governor number 10, Lesetja Kganyago, to a further five years in office and the appointment of two new Deputy Governors of the SA Reserve Bank. [Applause.] I think one of them is here. Fundi, can you stand so that they can see you? She’s a brand new Deputy Governor. [Applause.]

HON MEMBERS: Malibongwe!

The MINISTER OF FINANCE: I conclude by once again thanking the committee for the work they have done in looking at all the items that are in this Budget. Thank you very much. [Applause.]

*Xitsonga:*

Nkul M J MASWANGANYI: Mutshamaxitulu, Holobye wa swa timali, Tatana Tito Mboweni, Museketeri wa Holobye Dok David Masondo, Swirho swa

Huvo yo endla milawu ya Afrika Dzonga, Director-General na vatirhela mfumo hinkwavo hi kuya hi swiyimo swa n’wina ...

*English:*

Governor of SA Reserve Bank, SARB, congratulations for your reappointment Leadership of all entities present ...

*Xitsonga:*

Ndza mi losa. Namuntlha ndzi lava ku hoxa xandla eka njhekanjhekisano wa mpimanyeto wa Ndzawulo ya Timali ya lembe ximali ra 2019-20, magidi mbirhi khumenkaye na magidi mbirhi khumembirhi.

Ndzi laha kuta andlala xiviko xa Komiti ya swa Timali. Ndzi ta sungula ndzi vulavula hi leswi vandal leri fumaka ra ANC ringa swi fikelela eka 25 wa malembe lawa yanga hundza.

The democratic miracle that ushered in the new South Africa twenty- five years ago, represented the aspirations of all our people, black and white, young and old, men and women, urban and rural and was an inspiration to the world. It is important to look back, focusing on

25 year as an account of our achievements, persistent challenges, new challenges from the internal and external environment. It also accounts for the opportunity costs with a view of enabling us to chart a sustainable path forward. The review reminds us of the words

of Martin Luther King Jr, when addressing at Stanford University on April 14 1967 who said:

We are not where we want to be, and not where we were going to be, but we sure are a long way from where we were.

The society we inherited was a deeply divided one with the economy, education, health, infrastructure and social welfare systems servicing a few. In fact, every aspect of human endeavour, was built on a systematic structure of racial, gender and class discrimination. From a budget perspective we inherited a $25 billion debt from the apartheid government which it had used to prop itself up in its dying days, and to fund its security apparatus. This odious debt was added to the $850 million debt the apartheid government borrowed from the International Monetary Fund, IMF, during the last year of apartheid rule. And, although we had a number of other government frameworks over the 25 years: Growth, Employment and Redistribution, Gear; Accelerated and Shared Growth Initiative for South Africa, Asgisa; the New Growth Path and the National Development Plan – and we may have had debates about the substance of these - our guiding aspirations remained as reflected in the Reconstruction and Development Programme, RDP.

The 25 years show that government made remarkable strides in meeting the aspirations of our people for a better life for all. Five successive administrations have made solid advances towards meeting basic needs: Millions previously denied their basic rights were provided access to education, electricity, water, sanitation, health care, housing, roads and other amenities. Life expectancy has increased from 54,1 years in 2006, to 64,2 in 2018. The democratic government from the onset sought to open the doors of learning and culture, by providing universal basic education and today we have up to 67% of learners in no-fee schools and 77,1% benefiting from school nutrition programmes.

This Budget ensures greater focus on confronting problems facing the nation through the implementation of the programmes announced by President Ramaphosa during his 2019 SONA speech. Implemented effectively, this budget provides a platform for renewal, inclusive growth and job creation; directs spending to our most pressing national priorities like education.

The 2019-20 Budget moderates spending and raises the revenues required to contain the growth in national debt, whilst minimizing the negative effects on growth. The budget presents a roadmap to maintaining the integrity of our public finances, while protecting

social services. The budget is creating the right environment for efforts to accelerate inclusive growth, significantly increasing levels of investment and putting in place measures to create more jobs. It is in line with a range of measures introduced to ignite economic activity, restore investor confidence, support employment and address the urgent challenges that affect the lives of vulnerable members of our society.

We support reforms to relieve policy uncertainty and blockages which are yielding results for investment in mining, telecommunication and tourism. While the projected GDP growth rate of 1,5% in 2019 is still too low, at least it is an improvement on the Medium-Term Budget Policy Statement, MTBPS, 2018 projection that it will be 0,7%, as an outcome of implementation of structural reforms announced last year. We need to work together to grow the economy.

Amongst the priorities, the national executive committee, NEC, Makgotla and the state of the nation address, Sona, have identified rural and township economy as critical, with increased support for small, medium and micro-sized enterprises, SMMEs, through one stop business registration, access to capital and markets.

In addition, the budget must support the resolution of the Lekgotla advising government to consider tax incentives to businesses that

invest in the rural and township economy. This must further lead to government procurement intensifying support for local economic development, Broad-Based Black Economic Empowerment, BBBEE, and small businesses and cooperatives.

Chairperson, the issue broad based black economic empowerment needs serious attention. According to the BBBEE Commission’s report entitled “National Status and Trends on Black Economic Empowerment Report” 31 March 2018, control of the boards of South African listed entities were still concentrated within the hands of white and foreign males 58%, with equal representation between black male 20% and black female 18% for those entities that reported under Section 13(g) of the Act.

We welcome the focus on youth, which reflects the largest allocation of resources towards government’s priorities on basic and higher education, skills development training to contribute to social cohesion. Over and above the R30 billion allocated to building new schools and maintaining infrastructure, R2,8 billion is allocated to phase out pit latrines in over 2 400 schools. We support the phasing in of free education through the allocation of R111,2 billion. The ANC calls for the finalisation and immediate implementation of the Financial Matters Amendment Bill, FMAB. The Financial Matters

Amendment Bill is aimed at updating a number of acts, amongst them the Banks Act of 1990 to enable state-owned companies, example the Post Office, to apply for banking licences subject to executive approval.

Chairperson, broadly speaking, transformation in the Financial Sector is slow. Among the reasons advanced for the slow pace of transformation is that the sector is highly regulated locally and internationally through instruments like Basel 2 and 3 Regulations for the banks. Deracialisation is obviously a crucial aspect of transformation. Economic transformation must benefit the marginalised in society by bringing them into the mainstream of the economy.

Economic Challenges, however, despite these solid foundations of our young democracy, the nation’s transformation is far from complete.

Most importantly, the triple challenges of poverty, unemployment and inequality stubbornly persist. South Africa is considered a medium- income economy, it has a wealth of natural, infrastructural, institutional and human resources, but has not managed to sufficiently harness this wealth to benefit all South Africans.

There are also challenges facing the South African economy. The Human Sciences Research Council, HSRC, 2018 submission to

Appropriation Standing Committee highlighted the following challenges: GDP growth has been revised down since the 2018 Medium- Term Budget Policy Statement, MTBPS, due to a fragile recovery in employment and investment, and a less supportive global trade environment. Real GDP growth in 2019 is expected to reach 1,5%, improving moderately to 2,1% in 2021.

South Africa’s inflation remains higher than that of trading partners. The real effective exchange rate appreciated by 2,4% over the first 11 months of 2018, signalling a loss of export competitiveness. Consumer price index, CPI, inflation is expected to reach 5,2% in 2019 in response to rising food inflation associated with higher fuel and agricultural input prices. Electricity inflation is also expected to increase.

Growth of public sector wages, youth graduate unemployment rate increase. According to latest Quarterly Labour Force Survey released by Statistics South Africa, the youth aged 15-24 years are the most vulnerable in the South African labour market as the unemployment rate among this age group was 55,2% in the first quarter of 2019.

Among graduates in this group, the unemployment rate was 315 during this period compared to 19,5% in the fourth quarter 2018- an increase of 11,4 percentage points quarter-on-quarter. The burden of

unemployment is concentrated amongst the youth, aged 15-34 years, as they account for 63,4% of the total number of unemployed persons.

Observations and Recommendations: The Committee wishes to thank the outgoing Committee and its Chairperson for the work done over the fifth parliament. The Committee will only be able to develop its five-year plans after the publication of the government-wide Medium- Term Strategic Framework and the Strategic Plans of the Sixth Parliament. There shall therefore be both continuity and an infusion of the new priorities in the Committee's oversight activities, taking into consideration the tabled plans of the National Treasury and its entities and the priorities set out by the President in the State of the Nation Address of June 2019. The Committee notes that the budget of NT is projected to increase up by 5,7% annually over the medium-term. It further notes that although the budget of the SA Revenue Service, Sars, will increase by about R1,1 billion over the medium-term, it is still below its funding needs by almost

R2,7 billion.

The committee recognises that the shortfalls are as a result of the government-wide fiscal consolidation measures. Institutions have to squeeze out inefficiencies and learn to do more with less. The committee notes that the National Treasury will be tabling a number

of Bills in the 2019-20 financial year including the Public Procurement Bill, the Financial Matters Laws Amendment Bill, the Financial Services Laws General Amendment Bill, the Municipal and Fiscal Powers and Functions Bill, the Conduct of Financial Institutions Bill, and other recurring Money Bills. The committee notes that many of these Bills have been delayed as they were part of last year’s annual performance plan. The Committee requires an explanation from the National Treasury on why the National Payment System Bill is no longer part of the Bills that will be tabled in this financial year. The Committee further requires the National Treasury to table its proposed Bills as soon as possible to enable the Committee to plan its legislative programme given that this year is shorter owing to the national elections that took place in May 2019.

The committee urges the National Treasury to expedite its work on revising the policy framework on the modernisation of approvals for expenditure deviations. The committee believes that the enactment of the long-awaited Public Procurement Bill will go a long way in dealing with the issue of SCM deviations, eliminate the fragmentation of the country‘s procurement policy and legislative framework and, establish an overarching regulatory framework of procurement that will facilitate efficiency and economic

transformation. The committee urges the Minister to expedite the appointment of the senior managerial officials, (Chief Procurement Officer, DDGs, within Treasury in order to ensure leadership stability and the implementation of the Auditor-General’s leadership, financial management and governance recommendations as contained in the 2017-18 annual report of the National Treasury and its audit action plans.

The committee is not satisfied with the slow pace of consequences management on the Integrated Financial Management System, IFMS. The committee requires an update from the National Treasury on the outcomes of the forensic investigation into the IFMS and the actions taken against anyone found to have violated the law in the next quarterly briefing. The Committee is concerned about the financial state of state-owned companies, Socs. The committee also notes the reforms that have taken place since 2017 to turn the financial position and management of Socs. However, many Socs continue to pose a great risk to the fiscus. While the Committee recognises that the turnaround plans at Socs cannot be achieved overnight, it is concerned on the impact and effectiveness of these changes. The Committee will request more information from National Treasury to justify requests for extra resources, bailouts and or guarantees and insist on conditions being attached to any approvals.

The committee is concerned that despite the government-wide work to find solutions to challenges in municipalities, many of them are in a critical state. The recently released report of the Auditor- General of South Africa entitled “Consolidated General Report on the local government audit outcomes: Municipal Finance Management Act, MFMA, 2017-18” shows that 63% of municipalities regressed in their overall audit outcomes in 2017-18. The Committee supports National Treasury’s work in co-ordinating fiscal relations and promoting sound and transparent budgetary planning across all spheres of government.

The committee has requested the National Treasury to provide it with a report on its assessments of the effectiveness of its support programmes, such as the Municipal Financial Support Programme, and the Cities Support Programme to municipalities. The committee welcomes measures to rebuild the South African Revenue Service. The Committee welcomes the appointment of Mr Kieswetter and wishes him well in his work of collecting more revenue on behalf of the state. The Committee welcomes the re-establishment of the Large Business Centre, the Compliance Unit and the review and strengthening of the Anti-Corruption Unit and, the establishment of the illicit Economy Unit at Sars. The committee believes that the re-establishment of these units will go a long way in enabling Sars to arrest revenue

leakages, particularly in the illicit economy. The committee has noted the issue of Venda Pension Fund emanating from the report of the Public Protector - Report No. 18 of 201 1-12.

The committee request National Treasury to attend to this matter as it is of public interest particularly in Limpopo. The Standing Committee on Finance support the National Treasury Budget Vote 7.

*Xitsonga:*

Ndza khensa.

Mr G G HILL-LEWIS: Hon Chairperson, I congratulate the Minister on his reappointment and I congratulate the Deputy Minister on his appointment. I am looking forward to working with both of them and the committee to reverse our current economic stagnation.

My impression is that the Minister is hardworking and honest; characteristics that will serve him well in the battles ahead. He also, clearly, cooks a lot better than I do.

The Minister has been returned to this most difficult of jobs at a profoundly concerning time for our country. Our economy is not growing, the public purse is empty, national debt is fast

approaching unsustainable levels while l0 million people are without work.

In this context, the Minister’s primary objective and the primary objective of the Treasury must be to stabilise national debt. The

debt is projected to rise sharply to 60,2% of gross domestic product, GDP, by 2023, and that is only if growth comes in at projection and no further spending is introduced.

The reality is that the economy will grow at 1%, this year and that this Budget is fast turning into a bailout budget, with record- breaking bailouts for Eskom, and as we have just heard from the Minister that more bailouts for Denel, SA Airways, SAA, and SA Broadcasting Corporation, SABC, are on the cards.

A bailout budget would smash through Treasury’s debt commitments and would hobble our country with higher-than-ever debt service costs, already projected at R277 billion a year by 2023. This would be a failure by the Minister to manage our public debt prudently.

Secondly, the Minister must at all costs ensure that we retain our investment grade credit rating, which we are just barely holding on

to with one last agency, and restore our investment grade rating with the others.

Thirdly, he must boost economic growth by driving real structural reforms aimed at building business confidence and driving private sector investments.

Fourthly, he must stabilise public expenditure by implementing a comprehensive spending review and halting any further increases not related to core service delivery.

Fifthly, he must continue as he has done, to stand up for the independence and integrity of the SA Reserve Bank, the South African Revenue Service, Sars, the Public Investment Corporation, PIC, and the National Treasury itself.

The assault on our parliamentary democracy that we saw in this chamber in the previous debate was exactly the same assault that those who perpetrated it wish to perpetrate it against our independent institutions. That must be resisted and fought against by the Minister.

In that regard, I want to congratulate Governor of the Reserve Bank, Lesetja Kganyago, on his reappointment and to you madam deputy governor, congratulations on your appointment. I wish you best for your tenure.

Finally, the Minister must show that he is serious about the reform of our state-owned entities and I would have hoped that he would have been much firmer and stronger in this regard, this evening, than he has been. The fact of the matter is that he could send a very powerful signal by placing SAA into business rescue immediately and preparing it for sale.

These are the things the Minister must now do, since the government has run out of other options. It is on these things that we will judge his coming minibudget and main budget.

Since this is my first Treasury debate, let me set out what my approach would be: the Finance Minister will have my support so long as he acts in the best interests of building a long-term prosperity through economic growth. When he acts in favour of growth, we will back him, even when his own party does not. If he dithers and delays in the urgent reforms we need, or if he gives any appeasement to the enemies of growth, then we will oppose him.

We will also make real alternative proposals both by amending the budget and by proposing new legislation. It is time for some new, innovative thinking on how to get our economy growing. I hope that he will take these proposals seriously and consider them meaningfully.

All of our proposals will be based on our core belief that careful stewardship of the public finances fosters economic growth, and that economic growth delivers real prosperity for all citizens.

We will table amendments to this Appropriations Bill to cut wasteful expenditure and redirect it to: increased police expenditure to help build an honest, professional Police Service; increased health expenditure to bring down infant mortality; improve cancer care and forever prevent a repetition of the Life Esidimeni tragedy; increased education expenditure to provide for new science, technology, engineering and mathematics, STEM, schools; and an additional allocation to the Department of Labour and Employment to provide for the reskilling and training of workers who have lost their jobs.

All of these amendments will be budget neutral, funded by cutting expenditure on wasteful programmes, executive luxuries and simply bad policies.

We will also revive the Private Members Bill introduced by the DA in the last Parliament, called the Fiscal Responsibility Bill, which aims to introduce fiscal rules to reduce the budget deficit and national debt.

We will also revive the Private Member’s Bill, introduced by the DA in the Fifth Parliament called the Fiscal Responsibility, which aims to introduce fiscal rules for the first time in South Africa to reduce the budget deficit and our national debt. We will introduce a new Private Member’s Bill along with my colleagues in the Department of Public Service and Administration, to ensure greater accountability and transparency in public service employment, senior appointments and wage agreements.

We look forward to working with the Minister and the Treasury, on these alternative ideas that will bring prosperity to all South Africans. [Applause.]

The HOUSE CHAIRPERSON (Ms M G BOROTO): Hon speakers, please pardon us, our technology is failing us, the clocks are off. We do have our clock here. I am sorry for that. They are working on it.

Mr N F SHIVAMBU: There is no problem, House Chair, I will finish. You’ll just let me talk when the perspective is clear, I will say I am done. Then you’ll know the time has been dealt with.

I want to start by saluting the commissars and fighters, who earlier on took a courageous action against Mr Rogue Unit for taking that action is courageous. When we did that in the Fifth Parliament, against Mr Jacob Zuma, a lot of people reacted in a manner in which the society is reacting now; saying the EFF is reckless and so on and so forth.

Mr Zuma was later on removed as the President because of the EFF, single-handedly. [Interjections.] [Applause.] When we raised concerns against Nhlanhla Nene, the same issue were raised. We exactly told him in this House that he won’t be a Minister of Finance for a very long time and that happened. He fell on his own sword.

We want to tell Mr Rogue Unit that he won’t be a Minister for a very long time. At least this is on record. He will fall on his own sword very soon.

Minister, the previous financial statements of National Treasury illustrates that there was irregular expenditure of about

R758 million and wasteful expenditure of R67 million, which amongst its many responsibilities is to educate and guide municipalities and other government departments against irregular and wasteful expenditure, but National Treasury is involved in that as well.

There is no believable mechanism to arrest that thus far. I don’t know why the chairperson of the committee when he was speaking about the mechanisms that have to be dealt with, he never spoke about that. He also never spoke about what we said in the committee that the process that was followed to appoint the Sars commissioner must be reported to Parliament so that we can satisfy ourselves that it was thorough.

Let’s leave that. That is obvious. We can’t agree with a Budget Vote that doesn’t have mechanisms on how it is going to deal with irregular and wasteful expenditure.

Let’s now deal more substantially with some of the policy issues that we raise during Sona: Firstly, is the establishment of a sovereign wealth fund. I see the Minister of the Department of Trade and Industry is excited about it. It should not be established by the Department of Trade and Industry but must be under National Treasury and be preceded by a joint study tour of both the committee and National Treasury to Singapore and Norway.

When we were about to pass the Twin Peaks legislation around the regulation and oversight of financial institutions, we undertook a joint study tour to different countries. We should do that and then come back with proper legislative framework on how a sovereign wealth fund should be established. Although it is going to play micro economic roles, there are macro economic consequences that will come with the sovereign wealth fund.

The Financial Matters Amendment Act, which was passed last year, somehow permits for creation of state banks. One is that we must expedite the licensing of Postbank into a fully-fledged bank. It currently disburses almost R200 billions of social grants to different individuals. So, it must be brought into a regulatory framework that is outlined in the Banks Act. It is long overdue. It is a logical thing that must be done.

Also, the SA Reserve Bank must as a matter of urgency, exit its ownership of the African Bank and the shares be ceded to National Treasury. The shares that are owned by a consortium of banks must be ceded to black owners in a proper way that is guided by what should happen.

We must then introduce a new ownership meddle of a state-owned company in terms of what should happen.

About the Public Investment Corporation, PIC, we think we have said it publicly that we don’t agree with the appointment of Maria Ramos. She is your friend and her husband is your friend. So, that appointment is nepotistic. It’s wrong. We must say this in front of you. We aren’t gossiping. Don’t put people that are closer to you in the management of extremely complex institutions, particularly the PIC.

The policy issue that is long overdue about the PIC is its investment mandate that you cannot permit and allow government pension funds to be overexposed in a manner in which PIC assets are exposed to Naspers. Two hundred and fifty billion rands worth of shares are owned by the PIC at Naspers. It is like more than 10% of the overall assets under management.

What will happen to government employee’s pensions if Naspers follows the same crisis that Steinhoff faced? We are just going to lose R250 billion. The investment mandate of the PIC should be debated in the Sixth Parliament. We had begun to legislate that there must be development and impact with regard to the investment decisions of the PIC on the people who are depositors.

We had said that government must not outsource its responsibilities in the management of PIC funds because it underwrites all the assets under Government Employees Pension Fund, GEPF. So, you can’t outsource that.

So, your deliberate exclusion of the Deputy Minister from the board of the PIC is problematic. It is actually reactionary. We must say it here. It is not a gossip; it is one of the issues that we have publicly communicated as the EFF. You have to rethink that you still have time to deal with these issues much more differently.

Now, you need to utilise fiscal policy and broad procurement policies to drive localisation and industrialisation. That can only happen through the amendment of the existing procurement laws where the state should purchase more than 80%, if not 90%, if not 100% of goods that are made in South Africa. That would be an obligatory law

with regard to what should happen. We are going to table the law that will discontinue private ownership of the SA Reserve Bank. [Time expired.] We don’t agree with the Budget because you are not ready to manage the finances, to deal with the wasteful and irregular expenditures that were incurred in the previous financial year. I said I must finish first and then we will conclude from that perspective. Thank you very much.

Prince M G BUTHELEZI: Hon Chairperson, Minister and members, National Treasury needs to promote transparency, accountability and sound financial competence in managing the country’s finances. It seems as though Treasury is not so much hands-on in making certain that departments actually follow thorough processes in terms of dealing with their finances.

There is no financial and legislative discipline on the part of accounting officers in managing their budgets in a manner which is consistent with the Public Finance Management Act, the Municipal Finance Management Act and National Treasury regulations because consequences are absent in the financial management discourse of this country. Government spending is in inconsistent with the needs of this country. The priorities of our government are questionable

and financial decisions made by our government have not focused on national needs.

The state-owned entities encountered similar challenges, where National Treasury keeps allocating funds to them yet they are an utter mess. Eskom is virtually bankrupt, Armscor is in disarray, and SA Airways has got massive debt, Denel and Transnet are all tainted by corruption.

As the IFP we have noted the President’s very keen and strong political will to clean up the rot that is running the country to the ground. Yet we feel that that is not enough. Hon Minister, the issue of cadre deployment is a very big challenge that needs to be addressed and prioritised. We find that many individuals tasked with managing complicated and demanding government portfolios and they are placed in those positions based on their political affiliations rather than the competencies that they should have and this compromises the state of our country. The recycling of the same individuals is telling that the country is the least of the worry of those in power. We see little to no consequence management for those found implicated and guilty of corruption. A lot more needs to be done so that we can recover the monies that are squandered and embezzled.

In 2003, Cabinet took a decision to replace the legacy of financial system of government. An Integrated Financial Management System was commissioned by government through the National Treasury. This project has so far cost over R1,7 billion in government-paid expenditure. Parliament has engaged National Treasury over this project and no conclusions in this regard. The Auditor-General has once again announced regressed audit outcomes with just 18 of the

257 municipalities audited receiving clean audits, which is a serious concern that we need to address, hon Minister.

Again, the influence of politics cannot be underestimated. Accountability and ethics come from the top and just like the Auditor-General said, if I may quote:

If an organisation’s leaders are unethical, have a disregard for governance, compliance and control, and are not committed to transparency and accountability, it will filter through to the lower levels of the organisation. Inevitably, a culture of poor discipline, impunity and nondelivery will develop, leading to the collapse of the organisation.

This is exactly what we are seeing here. I like the analogy that the hon Minister made here of an aloe which is in front of us here, and

said that one reason that makes an aloe to be resilient is the fact that it has properties which allows it to do so. And if our country does not have regards for all these piece of legislation which seeks to assist our municipalities’ accounts department to have sound financial control, we shall never actually be resilient like this aloe. Hon Minister, we support the budget as the IFP. Thank you.

Mr W W WESSELS: Hon House Chairperson, just like the hon President Ramaphosa, I also have a dream. I dream of a sustainable economy – an economy that grows and where wealth is created and where poverty and unemployment are eradicated. I dream of a South Africa where there is policy certainty; where there is policies aimed at creating equal opportunities for all. I dream of a South Africa where policies are aimed at creating a conducive environment for the private sector to create employment, grow the economy and contribute to the fiscus.

I dream of a country without black holes for tax monies such as our state-owned entities. I dream of a country where state-owned entities such as SA Airways and Eskom are privatised. I dream of a South Africa where municipalities, towns and cities function; where there is financial management; where there is funded budgets and where services are delivered to the people of South Africa. I dream

of a South Africa that is not a welfare state, where people are kept as dependants on social grants - unsustainably so, for political gains. I dream of a South Africa where there is fiscal commission which functions independently, like the Reserve Bank and determines the Vat rate dependent on state expenditure, in so doing, curbing state expenditure.

I dream of a Parliament that is not only a rubber stamp but an institution that actually scrutinises budgets, where there is no mini-plenaries but actual budget debates where budgets are actually taken and scrutinised and where the ruling party does not just agree when there are very good contributions and decide to say that they unfortunately cannot amend the budget. I dream of a Parliament where a budget can be amended and where the ruling party realises that it can be amended. I dream of a South Africa where the programmes of National Treasury are aimed at supporting municipalities and provinces, and that they actually bear fruit and then become absolute.

Minister, I dream of a South Africa without etolls and overtaxation of individuals and companies, causing a vicious circle of less expendable income of individuals and companies and thus creating less spending and a declining economy. I dream of a South Africa

without unnecessary corrupt Road Accident Fund as part of the fuel levy but rather compulsory third party insurance for all vehicle owners. I dream of a South Africa where there is actually responsible governance, where National Treasury is not the only department that does something and says what is wrong and what is being done wrong.

I dream of a South Africa where there is no schizophrenic ruling party wherein members of that ruling party in a certain department will say that other departments are wrong, corrupt and are wasting money and officials should be dismissed, and that ruling party actually does that, and are not schizophrenic about it. I dream of a South Africa that is to the benefit of all its residents and not only politically connected elite. I believe that that dream can come true, but not with the ANC government. None of those dreams will ever come true under an ANC government.

We can have the best Minister of Finance, but his strength will not be enough to combat corruption and mismanagement of his own party. The fault lies with the ANC. National Treasury can do just what they want and they are doing a good job, but their programmes do not bear fruit because of the ruling party that is schizophrenic.

Municipalities waste money, they approve unfunded budgets and

Treasury must appoint technical advisers to our municipalities. Why is that necessary? Why is it necessary to appoint technical advisers if the best people are appointed by the ANC council. [Time expired.] I thank you. Our dream can come true but without the ANC government.

The DEPUTY MINISTER OF FINANCE (Dr D MASONDO): Hon House

Chairperson; and hon members: I am grateful to participate in my first budget vote debate on the National Treasury. Although we face many challenges, if we take a step back and reflect on what we have achieved in 25 the years of democracy, we have much to be proud of. As we proudly celebrate our important milestones, our country has in the recent past gone through a difficult period. But I believe the rebuilding efforts we are currently undertaking demonstrate our resilience and a remarkable capacity for self-correction.

In my brief remarks, I will focus on two issues, firstly restoring our fiscal strength; secondly, highlights of the work of entities under the mandate of the National Treasury. Hon members, the fiscal strength of any country depends on economic growth, without which there will be no employment and state revenue necessary to serve our people. Economic growth depends on the investment rates which have been low since the global economic crisis. At the moment, our fiscal system remains at risk because our Growth Domestic Product growth

and levels of investment have been low for the reasons that the Minister has already outlined. Restoring our fiscal strength is necessary in order to continue providing needed services in our society and to create conditions for inclusive growth. Madam Chair, we are saying inclusive growth because growth can be jobless, growth can be exclusive, racial, gender and class terms.

Government remains committed to a stable debt path, including by slowing the increase in debt service costs and addressing spending performance. At the same time, we need to restore financial the viability of our SOE’s as the minister said, additional financial injections to stabilize SOEs cannot be unconditional

The state owned companies will be expected to implement stricter conditions for future financial support, implement the new framework for the structure of these entities, work towards introduction of more private sector participation in the spaces in which they operate.

Madam Chair, let me turn on the second issue of my remarks today which is institutions; good institutions matter in the economic development. Imagine a South Africa without an efficient revenue service like South African Revenue Services, SARS. Where will we get

the money to invest in our education, health and infrastructure come from? Where will the money come from if we have no efficient SARS?

Institutions provide predictable rules which are important for the investors. There are no investors who will invest in a country without predictable rules and institutions that are working.

In rebuilding our institutions, we will also entrench institutional culture of professionalism, transparency, accountability and sustainability. These are important values for critical building of a developmental state.

National Treasury is responsible for 16 entities; let me outline some highlights of the achievements and future plans of a few of our entities. In the interest of time, I will only focus on four entities, but will be pleased to provide a detailed report to members for each entity.

South African Revenue Service, despite its recent challenges as the minister has indicated, SARS remains one of our state institutions that resembles important features of a developmental state in the democratic South Africa. A democratic state must have internal

capacity to ensure institutional and policy coherence. It requires competent bureaucracy operating on predictable and impersonal rules

SARS has new leadership at the helm, and they are managing a turnaround to restore integrity of that institution. Over the next year, SARS will adopt a strategic focus in making it easier for citizens to fulfill their tax obligations, while strengthening its enforcement capabilities to pursue all those who violate our tax system and laws.

The immediate focus will be on closing the tax gap and recovering lost revenue. In addition to implementing the findings of the Nugent Commission as the minister as indicated, SARS management is also taking more proactive steps to fight the activities in the illicit economy.

Following the amendments to the FIC Act in 2017, the National Treasury and the Financial Intelligence Centre, FIC, ushered in a new approach to the implementation of measures against money laundering and terrorist financing, which require businesses to identify and put in place measures to mitigate against criminal usage of their products and services. Close working relationship between FIC and the criminal justice system and other competent

authorities will enable us to provide essential financial intelligence to fight this crime.

The Development Bank of Southern Africa, DBSA, continues to upscale its support of infrastructure in an effort to contribute to economic growth and development. National Treasury is working with the DBSA and the Department of Public Works and Infrastructure to operationalize the Infrastructure Fund, which will finance large infrastructure projects through blended finance.

In 2019/20, the DBSA will continue supporting municipal infrastructure, especially in the poor areas. The bank will also support projects being undertaken by SOE’s and public-private partnerships.

The Public Investment Corporation, PIC, manages the assets of the Government Employees Pension Fund, GEPF), the Social Security Funds, and other smaller funds. The PIC will continue to fulfill its mandate, as outlined in the law and according to its performance plan. The PIC manages over R2 trillion worth of assets in a well- diversified portfolio of investment.

The corporation will commit R9 billion towards development property

investments, including new developments, refurbishments and upgrades, and rural development investments. The value of African and offshore investments is expected to increase to R15,6 billion, while contributions to education, health, housing, infrastructure and environmental sustainability, SMMEs, and investments in priority sectors and transformation are expected to amount to R10 billion per year over the medium term.

Finally, the life span of the Commission of Inquiry into allegations of wrong doing regarding the PIC, which was appointed by the Cyril President in October 2018, has been extended from its original termination date of April 2019, and a final report is now expected on the 31st of July 2019.

Let me join the Minister in congratulating the newly appointed interim PIC board; and the appointment of the new Deputy Governors; as well as the re-appointment of the Governor Kganyago.

In conclusion, Madam Chair, we must indeed restore the integrity of our democratic institutions. Central to this is a government that is capable of meeting its obligations to the citizens of our country.

Therefore, we must restore fiscal strength and debt sustainability for the sake of both our current obligations and inter-generational

fairness.

I, thank you.

Mr S N SWART: Hon House Chair, hon members, may I firstly also congratulate the Governor of the Reserve Bank for his re-appointment and the appointment of the Deputy Governors and I would like to congratulate the Minister on his re-appointment as well we also look forward to working together with him. I have mentioned earlier that I was looking forward to quoting some scripture this time because you quoted them in the previous Parliament, we look forward to that as well in your next address, maybe in the response. I remember you referring in the beginning of the year to certain scriptures and my retour to that. We look forward to that as well.

*IsiXhosa*:

Malibongwe igama leNkosi [Kwahlekwa].

*English*:

House Chair, the country is undoubtedly faced with a number of crises and whilst we in the ACDP are eternally optimistic, we are facing crisis of politics, economics and confidence which is hampering our potential for economic growth. This, together with

load shedding many which say was caused by Eskom, resulted in a 3.2% contraction in economic growth in the first quarter of this year. It is evident that policy uncertainty and political factionism will continue to undermine growth and that any real reform measures or attempts at renewal will proceed haltingly and be met with fierce resistance as we saw how Minister Pravin Gordhan has been targeted and the disgraceful conduct we saw earlier in this House. Hon members, I think it is disgraceful for hon Shivambu to come and justify that conduct here and we look forward to a Parliamentary enquiry into that regard.

This country can ill afford as many, many people watched what happened and we, as leaders in this Parliament need to set the example. The gross domestic product, GDP, contraction, as we all know results in revenue estimates falling far short of the targets, which will in turn result in debt projections being out of sink and escalating. We have already seen the revenue shortfall from the previous year was more than R42 billion, which is way above protections. That places severe challenges and severe pressures on the consolidation path that we are supposed to be following. It is concerning when we seem to see more bailouts, we do understand the need for them but it is a matter of great concern.

When one looks at the issue of Sars and I was very interested when the Commissioner Kieswetter, congratulations to him on his appointment, presented to the committee when the saw the hollowing art of Sars, we commend and the measures he has taken to re- establish the integrity of Sars. We welcome the establishment of the large business units and other compliance units that have been set up. It is very important that as the commissioner indicated, surely it is not just sufficient to re-establish, when you look at the hurt of the personnel and the damage to the integrity of the unit, further steps must be taken and we look forward to those steps being taken in that regard.

In the earlier debate we discussed the whole issue of SOCs and they remain a deep concern to us. I see that my time is limited but I would like to emphasize this one aspect that I referred to in the earlier debate and that is: Minister, if you are able to give additional funding to the Asset Forfeiture Unit and the Special Investigating Unit, they have the ability to collect billions. We have seen base line cuts, understandably. If you give them more funds, they need to be able to do forensic enquiries, they can as I think as the previous Minister indicated, they are special tribunals. They can collect billions of rand but they do not have the capacity. Let us see if we cannot give them additional funds

because they will be able to collect funds and it is a win-win situation. Let us all capacitate our FIS, the NPA, they are doing an excellent job in bringing those persons accountable but we need to see people being jailed for corrupt activities. I thank you.

Ms M D MABILETSA: Hon House Chair, hon Minister hon Deputy Minister and All South Africans.The ANC’s economic vision rests on the Freedom Charter’s call that the people shall share in South Africa’s wealth. Through economic transformation we intend to build an equitable society in which there is decent work for all. In the face of such challenging economic conditions, the ANC welcomes the very adroit budget presented by the Minister of Finance in February 2019, which carefully and sensitively balances the need to stimulate economic growth, reduce wasteful expenditure, contain debt, increase revenues and protect the poor. Implemented effectively, this budget will stimulate job creation, reduce inequalities, advance radical socioeconomic transformation.

We emphasise that transformation calls for more than growth alone. It requires a fundamental shift in the way wealth is created and shared to address the triple challenges facing our country, that is, unemployment, inequality and poverty. The budget carries forward and provides details on President Cyril Ramaph0sa’s 2018 state of nation

address message of unity, renewal and hope. In an effort to revive the South African economy, government is maintaining the main budget expenditure ceiling, retaining national departments compensation ceiling and avoiding any increases in major tax instruments, over the MTEF. To ensure that the expenditure ceiling remains intact, reprioritization of R32,4 billion shifts funding from non-performing areas to fund the upgrading of informal settlements and Presidents’ economic stimulus and recovery plan.

According to the National Development Plan, NDP, by 2030, we seek to eliminate poverty and reduce inequality. We seek a country wherein all citizens have the capabilities to grasp the ever broadening opportunities available. Our plan is to change the life chances of millions of our people, especially the youth, life chances to remain stunted by our apartheid history. Despite new spending pressures and reductions, the budget remains strongly redistributive. We note that about 68% of consolidated expenditure goes towards social commitments, including education, health, social grants and basic services. These services and transfers, provided by all spheres of government, will enable South Africans to access opportunities and live with dignity. The ANC-led government aims to realize the full potential of South Africa’s economy and people and to mobilize the resources of the state, business enterprises and the wider community

in a partnership of trust and mutual respect. This is also emphasized through the mission of the National Treasury to support economic growth and development, good governance, social progress and rising living standards through the accountable, economical, efficient, equitable and sustainable management of public finances, maintenance of macro-economic and financial sector stability, and effective financial regulation of the economy.

The budget also provides for the National Health Insurance, NHI, which remains a priority of government. The NHI will enable South Africans to receive free services at the point of care in public and private quality-accredited health facilities. By applying the principle of social solidarity and cross-subsidization, the NHI will reduce inequality in access to health care. Government’s social protection system has assisted greatly in reducing poverty and inequality by issuing social grants and providing social welfare services for vulnerable groups. It is expected that by 2021/22, the old age grant will reach 4 million beneficiaries, while child support grant will reach an estimated 13.1 million beneficiaries, over the same period. In this current economic climate, it is noted that some families survive through the pension payouts and grants.

The 53rd ANC Mangaung Conference resolved to taking economic transformation to new heights by fast tracking the development of

entrepreneurs, small-medium entities, including large-scale infrastructure development and enhancing the capacity of the state to intervene in key sectors of the economy in pursuit of inclusive economic growth and development, employment creation and broad-based empowerment.

For renewal to have a far-reaching transformative impact the ANC has to propel the process of eradicating unemployment, poverty and inequalities in our society by dealing with structural manifestations of colonialism of a special type. It must further ensure the mainstreaming of women in the economy across all sectors as a deliberate commitment to increase their access to finance, employment, and assets. President Ramaphosa during 2018 state of the nation address, also announced a plan regarding budget reprioritization and more effective spending. During the Medium Term Budget Policy Statement MTBPS in October 2018 spending was projected to be R5.9 trillion over the medium term. Spending was expected to grow faster than inflation. In line with President Ramaphosa’s proposed reprioritization, there was changes to grant structures and in-year allocations amounting to more than R50 billion. Of this amount, reprioritization of R15.9 billion goes towards infrastructure programmes, supporting industrialisation, and the Expanded Public Works Programme. An additional R16.5 billion of

reprioritization will be allocated to various programmes, including funding to restore capacity at the Sars.

Agriculture is seen as an important driver of our economic recovery; therefore, the Land Bank will continue to support emerging farmers. The ANC commends efforts by the National Treasury of supporting the Land Bank, through reprioritization, to conclude transactions worth R16.2 billion over the next three to five years from 2019, that will create jobs in agriculture. A significant portion of the funding is aimed towards export-oriented crops that are highly labour intensive. Since 2011, municipalities have completed over 270 projects to the value of R3,7 billion, funded through the Neighbourhood Development Partnership Grant. This has attracted over R8,7 billion of private investment in the township. In Tembisa in Ekurhuleni, public investment to the value of R125 million in roads and transport infrastructure has enabled access to social and economic facilities. The investment will attract an estimated R3.5 billion of additional public and private investment in commercial, retail and residential developments. In Msunduzi Local Municipality over R77 million in public investment in the Edendale Urban Hub has already attracted private and public sector investment in excess of R1 billion. The ANC notes and welcomes the fact that National

Treasury plans to continue to rolling these out in other parts of the country [Time expired]. The ANC therefore supports this budget.

The ACTING HOUSE CHAIRPERSON (Ms L S MAKHUBELA-MASHELE): I now

invite the hon Shaik Emam. Before you begin hon Shaik Emam, hon members may I remind you that according which you have agreed to abide by, members are not allowed to take pictures and selfies in the chamber.

Mr A M SHAIK EMAM: Hon Chairperson, Minister, Deputy Minister, colleagues, members in the gallery, allow me to welcome the report of National Treasury. The NFP will support this Budget. [Applause.] It is the right thing to do if you want to take the country forward.

Now, the National Treasury is the custodian of our finances and has a very important role to ensure it maintains the highest level of accountability and good governance principles. Unfortunately, I think when we talk about the Integrated Financial Management System, that says something else, Minister, you would agree. But remember, we had a similar problem with the Ethekwini municipality; it’s exactly the same thing, now going to a ... [Iaudible.] and still not sorted out anyway.

But some other challenges that I have identified is this, we have a budget of about R1,5 trillion and R600 billion is going towards some compensation to employees and another R240 sum what billion is now going to debt service costs. In terms of what I identified as the NFP and your former Chief Procurement Officer, we loose about 40% on goods and services for not getting value for money starting from the ground, so that is how much? Another 240 billion, going to

R300 billion.

So the question is, how much of our resources are really going to delivering services to the people on the ground if you take that away? Now, added to that is ... the fact that ... let me tell you Minister, it starts right from us. If you read the media report not long along, the funds that we give for constituency offices which I have mentioned many time, there is no control measures in place.

Let’s talk of 25 million that was given to a particular political party in this House. Where there are question marks or its audit statements, nothing is happening about it. We talk about international travel; we talk about hotel accommodation, given the economic situation in the country - cost containment measures - cut down on these things. We really need to do. I can assure you

Minister; it is not going to affect our work even if you cut costs. Really, it’s not going to do that.

But let me also talk about the illicit financial flow and let me tell you, there are a lot of resources in South Africa. Money is available - floating around - people are not paying taxes. Foreign businesses are not paying taxes. Millions of rand are leaving the country everyday without paying. There are no control measures from the local. Minister ... [Inaudible.] ... to ensure businesses are reduced than ... [Inaudible.] taxes.

I had an opportunity recently, someone called me to intervene, it was a business transaction. Two million rands, Minister, in hard cash, two hundred in notes exchanged hands just from selling one business to the other. Where is the control measure? So we need to look at these things and I can tell you, there is a lot of money ... Thank you very much. The NFP supports the report tabled here. [Time expired.] [Applause.]

Mr D T GEORGE: Chairperson, 4 years ago, in May 2015, I spoke in the debate on the National Treasury Budget. Unlike other emerging economies, our economy had not recovered from the Great Recession that followed the Global Financial Crisis and our unemployment rate,

especially our youth unemployment, was climbing. Nothing has changed. Our economy continues to underperform its peers by over 4% points, teetering on the brink of recession; our debt has spiralled; and unemployment levels present a significant risk to our social stability.

This bailout budget, aimed primarily at keeping the broken state owned enterprises afloat, does nothing for economic development and nothing for millions of our people who remain unemployed and in poverty. We needed a bold budget with significant cuts to government expenditure and coherent policy interventions aimed at raving up our economic growth. Instead, we got more of the same.

A so-called developmental state remains our President’s dream. He dreams of a functional state, intervening in our economy, achieving bullet trains and building a new city on a hill. Economic policy remains incoherent and hundreds of billions will be thrown into the bottomless pit of broken state-owned enterprises while our economic growth continues to slide. The Western Cape economy, however, continues to power ahead with strong investor confidence and the lowest unemployment rate in the country. We have seen what a functional government with coherent economic policies can do. Sadly, we have neither.

About 4 years ago, Tom Moyane, hand picked by the ANC government to serve as SARS Commissioner, had already started destroying SARS. His brief was clearly to bring SARS to the heel of his political masters, evading their tax and raiding the people’s money with refunds that they didn’t earn. We don’t know how much was stolen, likely billions, but we do know that it can be accurately calculated and the perpetrators prosecuted if there is political will. Once the envy of other tax jurisdictions, SARS’ domestic and international reputation lies in tatters. This immeasurable damage cannot be calculated and directly impacts on our economic prospects.

To ensure the utter destruction of any capability of SARS to hold the politically connected corrupt to account, a narrative on a so- called rogue unit was fabricated. SARS always had, and should have, capacity to investigate and hold to account tax evaders who enrich themselves at the expense of the most vulnerable members of our society. At the time, Tom Moyane claimed that hundreds of millions were spent on the so-called rogue unit and that the funds were never accounted for. We still do not have a clear explanation of what SARS’ capacity to address organized tax evasion is and how it is funded.

The ANC government behaves as if it has collective amnesia. The new Commissioner, whose appointment we welcome, has spoken very frankly about what he has found at SARS and it is far worse than we thought it could get a few years ago. The Commissioner has described broken and traumatized people who are expected to collect the revenue that we need to fund basic service delivery to poor and vulnerable people. The significant under collection of estimated revenue materially affects the fiscal framework negatively.

About 4 years ago, I raised the fact that the Committee Chairperson at the time, Yunus Carrim, had hidden a letter that the former SARS spokesperson had addressed to the Committee. This negatively impacted on our ability to interact with Tom Moyane when he appeared before the committee. Such were the extraordinary lengths that the ANC took to cover up the political infection of SARS by a government rotten to its core. Now it behaves as if it is surprised by what has happened and will do its utmost to fix what it has caused and broken.

The social contract between government and tax payers is crucial to public financial well-being and that contract is more strained now than ever before. It has always mattered to tax payers that government spends their hard earned tax contributions irregularly

and wastefully. The collapse of SARS, first denied and defended by government, now publicly displayed and bemoaned, is a tax morality deal breaker for many and that can‘t easily be fixed, if ever.

During my time serving on SCOPA, I learnt first hand that nobody ever gets held to account. One set of thieves replaces another; there is much noise about holding the previous crowd to account and then it all starts again. Nothing has changed.

Our macro-economic picture is not healthy. Government over-spending continues unabated, the revenue shortfall grows and the deficit widens. Re-payment of increased borrowings to fund that shortfall crowds out spending on basic service delivery.

The politically motivated collapse at SARS is merely a manifestation of a government rotten to its core. Government remains oblivious to the fact that it has no money of its own and that it all belongs to the people. No matter how much shock is expressed and how much lip service is given, nothing has changed.

A DA government will create a vibrant and economically flourishing environment by curtailing government expenditure, kick-starting entrepreneurial economic activity and growth and dismantling failing

state-owned enterprises. A DA government will focus on quality education for every South African, root out corruption, cronyism and nepotism and enable every South African to become everything that they are capable of becoming. Until then, nothing will change. Thank you, Chairperson. [Applause.]

*IsiNdebele:*

Num G J SKOSANA: Sihlalo ohloniphekileko, ngithathe ithuba leli ngilotjhise umhlonitjhwa uNgqongqotjhe wezeeMali, umhlonitjhwa iSekela-Ngqongqotjhe lezeeMali, amalunga ahloniphekileko weNdlu le yesibethamthetho, iintatanyiswa ezikhona nesitjhaba soke seSewula Afrika, ngiyanilotjhisa entambama.

*English:*

Hon Chairperson, South Africa has evolved in a remarkable way in the past 25 years. The country has emerged as a constitutional democracy after an oppressive system marred us as a pariah state, shackled by sanctions, and fraught with internal conflict and prejudice. The high-level investment in key institutions which are critical to revenue generation like South African Revenue Service, Sars, is to build the peoples’ confidence in the taxation system and their contribution towards this.

These are all part of improving the investment climate by strengthening governance in institutions and removing policy bottlenecks. This builds upon restoring good governance and financial stability at public institutions and state-owned enterprises. His Excellency President Matamela Ramaphosa, when opening the SA Investment Summit 2018, said, and I quote,

We have replaced the leadership in several state-owned enterprises, ensuring that we have people with experience, integrity and the relevant skills who are now leading the development and implementation of sustainable business models.

Hon members, tax revenues are critical to the functioning of any democracy. Lower tax collections have serious consequences and can impact to everyone, whether it be through lower expenditures on education or health, or through increases in tax rates to make up for shortfall. The ability of a government to borrow at reasonable interest rates is also dependent on its ability to collect taxes.

Tax is woven into the fabric of civil society. At essence, the implicit social compact between the state and those who use a country’s resources as residents or as traders provides the moral and legal justification for paying and enforcing payment of taxes.

The elements that make up this social compact between the state and people of South Africa changed dramatically in 1994. The South African Revenue Service, as a semi-autonomous organ of state was created in the early years of the birth of democracy in this country and has matured over the last 20 plus years to become a tax and customs authority that is lauded for its professionalism and efficiency.

Fellow Citizens, the economic context within which we operate in South Africa is heavily influenced by global developments. The economy is not growing is expected, affecting the capacity of government to address the various challenges, chief among them being job creation, especially for the youth.

Government has announced a number of interventions to stimulate the economy and to cushion the poor from some of the negative impacts, such as the increased cost of living. Actions are also underway to address governance issues across government departments, agencies and state-owned enterprises. All these efforts are aimed at ensuring that South Africa is viewed as an attractive and competitive market for trade and investment which will in turn translate to enhanced returns for South African companies in the local and global markets. This will have a direct impact on enhancing economic growth and

improving prospects for millions of South Africans who yearn for a better future for themselves and their children.

Tax revenue collections depend on improved tax compliance and strong economic growth. As a state, our focus is very much on fiscal consolidation. We note that Cabinet has constantly reiterated that we cannot spend the money we do not have and we cannot borrow beyond our ability to repay. Until we can ignite growth and generate more revenue, we have to be tough on ourselves. This underlines the vital importance of Sars meeting its revenue collection target.

Hon Chair, the co-operation between financial institutions, public, law enforcement agencies and other government agencies is critical in dealing with illicit financial flows. The Financial Intelligence Centre, which is housed in the National Treasury, is a significant tool for monitoring the financial sector, but it’s 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. The legislative framework also creates room for greater co-operation among the three

institutions - the South African Revenue Service, the South African Reserve Bank and the Financial Intelligence Centre - in order to connect the dots and pick up patterns regarding money laundering, tax evasion or fraud.

Hon members, the 54th ANC Elective Conference resolved that, I quote: “Government must urgently crack down on tax avoidance and illicit capital outflows”. The ANC’s vision for South Africa is that of a society based on democratic values, social justice and human rights and a democratic and open society.

Transparency and certainty are characteristics of a good tax system. The Tax Administration Act sets out precise methods and standards for tax administration to be fair, transparent, equitable and predictable. The budget has assured us of greater prospects for investment and focus in inclusive growth and investment in social infrastructure and, in particular, local government infrastructure.

The commitment to investing in the economic zones located either in or next to townships can only be good for job creation, especially for the youth and women. We are confident that the budget will assist to position South Africa well with investors and rating agencies. We are hopeful that the budget has clarified and instilled

some sense of confidence to investors and rating agencies in our country ... cheers!

Hon Chair, before I sit down I think it is imperative to comment on some of the things that other members raised. I heard hon Hill-Lewis

- we really welcome his comment that on behalf of the DA he is pledging support to the Minister of Finance and the department in making sure that they are able to deal with challenges facing the department and the country at large.

However, he also sounded negative by saying that the economy is not going to grown by 1% this year. We need not be that negative. I think, hon Hill-Lewis, you said it in your own words that the Minister is a hard worker. So, since the Minister is a hard worker I think he needs the support of all political parties, especially of this Standing Committee on Finance. So, we call upon the DA and all other political parties to support the Minister in order to deal with all the challenges and ensure that the economy grows with that 1%.

I was very disappointed with the hon Shivambu. When he came here, I expected that he was going to apologise on behalf of what happened during the debate of the Public Enterprise. I thought it happened

because hon Shivambu and hon Malema, as leaders of the EFF, were not here. I am very much disappointed that he is condoning that and describes it as a courageous act.

Well, members, it is surprising because when hon Minister Gordhan was a member of the Portfolio Committee on Public Enterprise he was the darling of the EFF. They used to describe him as one of the few ANC members who are revolutionary and who are fighting corruption and state capture. But, immediately hon Gordhan was appointed as a Minister, he became an enemy to the EFF overnight. So, we do not know what it is they were expecting from the appointment of Mr Gordhan because they are continuously attacking him. It is very much unfortunate, Chairperson.

Hon Chair, I think the EFF needs to ...

The HOUSE CHAIRPERSON (Ms L S MAKHUBELA-MASHELE): Hon Skosana, a

moment.

Mr N F SHIVAMBU: Point of order.

The HOUSE CHAIRPERSON (Ms L S MAKHUBELA-MASHELE): I note you, hon

Shivambu.

Mr N F SHIVAMBU: On a point of order. You know, in terms of the parliamentary Rules, you must speak to what we are debating. First, he is debating the budget. This is not the Budget but a Budget Vote, which different from the budget.

The HOUSE CHAIRPERSON (Ms L S MAKHUBELA-MASHELE): Hon Shivambu, that

is not a point of order, it is point of debate.

Mr N F SHIVAMBU: I think he must go for induction so that we can educate him properly about these things. What you are saying is out of context. Do not expose your stupidity here.

Mr G J SKOSANA: A Budget Vote is part of the Budget, hon Shivambu. Hon Chair, I think the EFF must go to a bosberaad and rethink what they want to do in this Parliament. You can’t oppose everything. A good political party is one that will oppose when it is necessary but will also give credit where it is due. The EFF is opposing everything. So, you need to go to a bosberaad and rethink and decide what it is exactly that you want to do in this particular Parliament.

The hon George is raising the issue of the rogue unit and all these other particular issues. I think we know the findings by the Public

Protector. However, as you know, in terms of the separation of power and responsibilities by different arms of state, you know that the Public Protector has written to the President as the Head of the executive. So, we have confidence in the Office of the President that it will be able to handle that matter. We also have confidence in the office of the Public Protector because it is a Chapter 9 institution and it is us who advocated for the establishment of all Chapter 9 institutions. [Time expired.] Thank you very much hon Chair. [Applause.]

The MINISTER OF FINANCE: Madam Chair, thank you very much for the opportunity to come back to back to the podium. I’m sorry my shouting skills are rather short so I hope you can hear me.

The Deputy Minister and I have concluded the allocation of responsibility between the two of us. So, one of the things that he’s going to be doing is to start the process of the formation of the state bank. We’ve got a huge responsibility that the ... [Applause] ... it’s a matter of responding to a crime amongst our people and that crime fundamentally has to do with the discriminatory nature of the established banking institutions. So, there has to be a response. It is big tasks that he has there.

Secondly let me deal with the matter of the illicit economy in particular, illicit financial flaws and the illicit tobacco market. This is a matter that we’re dealing with, with the SARS financial intelligence centre. They should be able to come to some conclusion. But, this is a permanent warfare. It’s not going to end easily.

SARS already on its way to recouping a significant amount of revenue from the danger that was posed by the illicit tobacco market and we are making great progress there. You know these fellows have become so brave that some of their factories were identifiable at the Marlboro off ramp, openly producing cigarettes illegally but that has been taken care of.

The illicit financial flaws have a lot to do with the need to find cooperation from some of the takes haven such as the Isle of Man because that’s where most of these activities run through. In my previous function in the private sector as Chairman in one of the companies, I felt that I was not receiving sufficient information about the operations of our office at the Isle of Man. So, I eventually got into the plane and went there, as I was arriving at the airport I was met by some advertisements of South African banks, the Isle of Man. So, we are dealing with that.

On municipalities, truth be told, the management systems of these municipalities, the calibre and technical capacity of some of the municipalities is very poor. That’s the reality of the situation. In some instances if you ask someone who is in the municipality, where is the water treatment plant, how is the sewerage system working, basic things like that. I have been charged huge amounts by my municipality for electricity that I have not used because I have a solar system but then I got a charge for electricity which is quite funny.

So, the technical capacities more often they are the… actually I do have a little bit of electricity from the municipalities but it’s dual, the bulk of it is solar and then in case something happens.

The fact of the matter is… and we must all admit in this House and do something about it. There is a lot of political interference in the municipalities and we have to deal with all of that. Hon Shivambu, I know you like to travel a lot which is fine so you might want to go to Norway and Singapore and so on, you really don’t need to do that, you can do desktop research. It’s very simple. [Applause] If the desktop research is not sufficient, you could ask the Norwegian Ambassador for some information. So, you don’t need to travel. All this international travelling might not be necessary.

I wanted to end of by saying to the committee that I really appreciate the recommendations that you’ve made, they need to be attended to. That thing of the IT system in the National Treasury is being attended to and has to be attended to more.

But, I thought that one of the things that we need to do as we take part in this debate is just to have the back drop a bit about the nature of our society which has changed. There have been massive changes in our society. Sometimes I feel that our debates are stagnant, they are based on what the country looked ten years ago. The country has changed a lot and the changes are amongst other things the massive population movement away from the country side into the semi-urban, urban areas and major cities. That’s why even when we talk about certain policies and what we need to do, those must be based on the scientific reality on the ground and not on some sort of way of thinking.

Secondly, it has to do with the massive structural changes that have occurred in the economy. Tertiary sector of the economy is about 60% of Gross domestic product, GDP.

There is no longer mining and agriculture and old style manufacturing. And, these massive changes in population and the

structure of the economy dictate that we change our mindset and ways of thinking. Otherwise, we will never resolve the major structural issues that we confront. So, these massive changes and these requirements of the tertiary sector of the economy are not quite in sync with the education outcomes that we get. The consequence of this will be increased unemployment. And, we have to attend the relationship between the changed structural mix of the economy and the skills sets that we need.

I thought that as we debate all of these things that background was very important but Madam Chairperson I’d like to thank the members for their most invaluable contributions and I thank you very much indeed

Debate concluded.

The mini-plenary session rose at 20:56.