**1. REPORT OF THE STANDING COMMITTEE ON FINANCE ON THE 2020 FISCAL FRAMEWORK AND REVENUE PROPOSALS, DATED 10 MARCH 2020**

The Standing Committee on Finance (SCOF/ the Committee), having considered the 2020 Fiscal Framework and Revenue Proposals tabled by the Minister of Finance on 26 February 2020, reports as follows:

1. **INTRODUCTION**
   1. The Minister of Finance, Mr Tito Mboweni, tabled the 2020 proposed fiscal framework and revenue proposals, the Division of Revenue Bill and the Appropriation Bill in Parliament on 26 February 2020. These were tabled in line with section 27 of the Public Finance Management Act, Act No. 1 of 1999 (PFMA) read with section 7 (1) of the Money Bills Amendment Procedure and Related Matters Act, Act No. 9 of 2009 (Money Bills Act), as amended.
   2. The Minister briefed the Committees on Finance and Appropriations on 27 February, together with the Director-General, Mr Dondo Mogajane, and senior officials of the National Treasury (NT) and SARS.
   3. The Committees received a pre- and post-budget analysis from the Parliamentary Budget Office (PBO) in line with its statutory mandate under the Money Bills Act. They were also briefed by the Financial and Fiscal Commission (FFC), post-budget.
   4. Public hearings were held on 04 March and written and oral submissions from the Congress of South African Trade Unions (COSATU), the National Union of Metalworkers of South Africa (NUMSA), the Rural Health Advocacy Project (RHAP), the National Council Against Smoking (NCAS), the Budget Justice Coalition (BJC), the Fiscal Cliff Study Group (FCSG), the Organisation Outdoing Tax Abuse (OUTA), the South African Institute of Chartered Accountants (SAICA), and Price Waterhouse Cooper (PwC) were received.
   5. The following organisations made written submissions but did not make oral submissions: the African Climate Reality Project, the Vapour Products Association of South Africa (VPASA), the South Africa Tobacco Transformation Alliance (SATTA), the Black Tobacco Farmers Association (BTFA), the British Tobacco South Africa (BTSA), the Limpopo Tobacco Processors (LTP), Twisp and, Mr Buthelezi.
   6. NT responded to the inputs and submissions made on 06 March, addressing the specific requirements of section 8 (3) of the Money Bills Act. The participants present were also given an opportunity to engage the NT and members on the NT’s responses.
2. **POLITICAL OVERVIEW BY THE MINISTER OF FINANCE** 
   1. The Minister of Finance explained to members that low economic growth had resulted in lower revenue collection by the South African Revenue Service (SARS). He said that this would have been the case even if SARS was operating at full steam. He explained that even in a stagnant economy, a growing population needed additional infrastructure and services. There was therefore an increased demand for spending.
   2. Mr. Mboweni stated that the “mounting debt mountain” was something the country needed to be very concerned about as the debt servicing costs now absorbed about 15.2% of the main budget revenue per annum.
   3. The Minister said that the Minister of Public Service and Administration, Mr Senzo Mchunu, was leading the negotiations with the labour unions/federations in trying to cut the public sector wage bill by R160.2 billion over the medium-term. The NT clarified that the proposal was to limit wage growth to below inflation. There was no proposal to reduce the headcount.
   4. Mr Mboweni said that the budget deficit before borrowing now stood at 6,8% of South Africa’s Gross Domestic Product (GDP)**.** He emphasised that the country would have to stick to this figure or try to lower it.
   5. The Minister said that wastage and corruption had to be confronted directly and with urgency. He highlighted the issue of overpriced goods during procurement, litigation against government by way of medical legal claims and against the police that had led to a spike in contingent liabilities.
   6. The Director-General, Mr Mogajane, added that the Budget showed that the country’s finances were not in good shape. He said that the key to solving this problem was implementing policy reforms and ensure economic growth.
   7. NT explained that to curb the fiscal deterioration, a combination of continued fiscal consolidation, faster economic growth, and measures to contain financial demands by distressed state owned companies (SOCs) were required. As a result of this, Budget 2020 made non-interest spending reductions of R156.1 billion over the medium-term. This included large reductions to the public service wage bill, NT said.
   8. The Budget proposed reforms to reduce the cost of doing business in several areas including the acquiring of additional electricity from existing independent power producers (IPPs) through opening a fifth bid window, allowing municipalities to procure power directly from the private sector and to self-generate.
   9. Other interventions included the accelerated corporatisation of the National Ports Authority, the processing of the Economic Regulation of Transport Bill, which has been tabled in Parliament, to stop the subsidisation of road freight, the acceleration of digital migration, the releasing of the broadband spectrum through an auction, and accelerating the ease of doing business particularly for small businesses.
   10. On the revenue side, NT explained that the tax revenue estimates for the current year had been revised down by R10.7 billion compared to the estimates of the 2019 MTBPS. NT said that tax revenue was projected to grow by 4.9% in 2020/21 and tax proposals included relief on personal income tax, further limits on corporate interest deductions in order to combat base erosion and profit shifting, restrictions on the ability of companies to fully offset assessed losses from previous years against taxable income, an increase of 25 cents per litre in the fuel levy (which included an increase in the Road Accident Fund levy by 9 cents per litre), an increase of R3000 in the annual contributions limit to tax-free savings accounts from 1 March 2020, and an increase in excise duties on alcohol and tobacco of between 4.4% and 7.5%.
   11. The Minister emphasised the need for the Executive to be held accountable for ensuring value-for-money in spending. He also commented that the allocation of R5 billion per year to the contingency reserves was not enough for South Africa’s role in assisting with regional disasters.
   12. The Minister concluded by saying that belt-tightening was necessary to address fundamental growth challenges. He challenged MPs to join the Executive in implementing cost-cutting measures such as travelling economy class.

1. **OVERVIEW OF THE NATIONAL BUDGET – FISCAL FRAMEWORK**
   1. Budget 2020 proposed a total consolidated spending of R1.95 trillion in 2020/21. The largest allocation goes to learning and culture (R396.4 billion), social development (R309.5 billion) and health (R229.7 billion).
   2. Revenue collection flattens at 29.2% of the GDP over the medium-term. Low growth has led to the downward revision of revenue estimates by R63.3 billion in 2019/20.

**TABLE 1: Consolidated Fiscal Framework**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |
|  | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **2021/22** | **2022/23** |
| **R billion/percentage of GDP** | **Outcome** | | | **Revised estimate** | **Medium-term estimates** | | |
| **Revenue** | **1,285.6** | **1,351.4** | **1,445.4** | **1,517.0** | **1,583.9** | **1,682.8** | **1,791.3** |
|  | *29.1%* | *28.8%* | *29.4%* | *29.4%* | *29.2%* | *29.2%* | *29.2%* |
| **Expenditure** | **1,442.6** | **1,541.9** | **1,642.8** | **1,843.5** | **1,954.4** | **2,040.3** | **2,141.0** |
|  | *32.6%* | *32.8%* | *33.4%* | *35.7%* | *36.0%* | *35.4%* | *34.9%* |
| *Non-interest expenditure* | *1,286.0* | *1,368.9* | *1,450.6* | *1,628.5* | *1,715.0* | *1,771.6* | *1,840.3* |
|  | *29.1%* | *29.1%* | *29.5%* | *31.6%* | *31.6%* | *30.8%* | *30.0%* |
| **Budget balance** | **-157.0** | **-190.5** | **-197.4** | **-326.6** | **-370.5** | **-357.5** | **-349.7** |
|  | *-3.6%* | *-4.1%* | *-4.0%* | *-6.3%* | *-6.8%* | *-6.2%* | *-5.7%* |
| *National Treasury* |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

* 1. The budget deficit is expected to increase to -6.8% of GDP in 2020/21, from the projected -6.3% in the current year. It is however expected to moderate at -5.7% over the medium.
  2. Debt services costs continue to be the fastest growing expenditure and are expected to absorb 15.2 per cent of the main budget revenue in 2020/21.

1. **INPUT FROM STATUTORY INSTITUTIONS**
   1. **Parliamentary Budget Office** 
      1. In its Budget Analysis, the PBO explained that Budget 2020 included measures to narrow the consolidated deficit. These measures included the reduction of expenditure by R261 billion over the medium-term. The PBO submitted that these expenditure reductions were however based on several uncertainties such as the actual outcomes for 2019/20 budget not yet being known and the wage negotiations with labour still ongoing,
      2. The PBO emphasised the need to align resource allocation with policy intent in the planning and budgeting cycle. It said that some of the specific priorities and projects that were announced by the President in the state of the nation address were still in the planning stage and therefore not taken into account in the current medium-term expenditure framework (MTEF). It submitted that the Budget Priorities Framework (Mandate Paper) that was currently under review should be aligned with the presidential priorities and the Medium Term Strategic Framework (MTSF) in order to ensure the implementation of the National Development Plan (NDP).
      3. The PBO argued that the macroeconomic approach in the 2020 Budget too narrowly focussed on the supply-side interventions in the economy. It said that the level of demand has been a serious constraint on economic growth. Fiscal consolidation, it said, has negatively affected aggregate demand and GDP growth. It submitted that the speed at which the economy can grow depended largely on improving aggregate demand. It added that reducing the costs of doing business will be effective only if businesses have adequate demand for their products. The PBO added that governments worldwide were favourably considering fiscal policy that boosts demand. They recommended that the South African government should make targeted fiscal choices to boost aggregate demand, particularly consumption by poor households and infrastructure investments. The PBO argued that the debt-to-GDP could improve if fiscal expansion supports GDP growth.
      4. The PBO noted the proposals in Budget 2020 to moderate debt over the medium-term and pointed out that there were however no proposed revenue and expenditure measures to achieve this in the Budget. It warned that in order to moderate debt, additional measures in excess of R300 billion over the MTEF were needed.
      5. The PBO noted the measures to broaden the tax base and to reduce the Corporate Income Tax (CIT), currently at 28% and viewed as internationally uncompetitive. The PBO submitted that South Africa’s CIT effective tax rate (ETR), the actual tax payable by corporate taxpayers, was one of the lowest internationally due to tax incentives, deductions and expenses allowances and made South Africa competitive internationally.
      6. The PBO said that South Africa should explore the opportunities and risks in unilaterally taxing the digital economy, as there was no consensus on the matter at the OECD level. It noted that many countries who are members of the OECD were developing unilateral approaches in taxing the digital economy.
   2. **Financial and Fiscal Commission**
      1. The FFC noted the fiscal commitments made by government to curb spending and expand tax revenue. It said that despite the announcements, total expenditure has remained far higher than total revenue, resulting in continued deterioration of the cash book balance. It said that the economy was heading towards an implosion emphasising the need for decisive steps to be taken to grow the economy.
      2. The FFC said that the National Treasury’s *Economic Strategy for South Africa* discussion paper compliments other socio-economic policy frameworks. It cautioned against a reactionary approach that deflects and destabilises the state machinery. It said that this strategy paper should have ideally commenced by conducting an audit analysis of the development policy landscape.
      3. It said it supports the proposal of delivering a capable state supported by a new compact between the government, private sector and other special partners based on credibility, capacity and certainty. The Commission also emphasised the importance of governance, parliamentary scrutiny and accountability through consequence management in ensuring delivery.
      4. The FFC called for a decisive and cogent response in terms of fiscal reprioritisation and consolidation in reducing government expenditure, especially in non-essential deliveries, the wage bill, sale of government assets, restructuring of state-owned companies and ultimately a sustainable reduction of the debt-to-GDP ratio.
      5. It welcomed initiatives on controlling the wage bill such the freezing of salaries for Ministers, MECs and other senior civil servants. It said that these measures should be extended to state-owned companies and local government. It cautioned that the historical wage bill benefits over the last decade were unsustainable. It said that wage increases should be linked to productivity.
      6. The FFC noted the one percent real growth in the goods and services component of the budget. It said that the corruption on this spending item was extensive and it was important that cost containment initiatives by the Chief Procurement Office are matched by broader government efforts to rid government of corruption.
      7. It recommended the strengthening of tax administration by increasing capacity, including enhancing capacity to confront tax base erosion and profit shifting.
2. **INPUTS FROM STAKEHOLDERS**

This report carries a very brief summary of the submissions made by stakeholders in the public hearings. Copies of the full submissions made by stakeholders both at the hearings and in writing only are available from the Committee Secretariat.

* 1. **Congress of South African Trade Unions**
     1. COSATU expressed its disappointment on what it called “the underwhelming and provocative Budget”. It said it condemns the reckless elements in the Budget that sought to scapegoat hard-working public servants for leadership failures that led to the collapse of the state through state capture. It said that to deal with the issue of the wage bill, government should first reduce the bloated executive and management posts and perks, eradicate ghost posts, consolidate state entities and municipalities and expeditiously fill critical front line service delivery posts.
     2. COSATU said it had hopes that the Budget would have credible economic stimulus interventions. It said it had expected plans and strategies on how the government intends to boost the economy and to create jobs. Despite these disappointments, COSATU said it welcomed the commitment made to increase infrastructure expenditure. It further welcomed the initiatives undertaken by the Department of Trade, Industry and Competition to revitalise the industries.
     3. COSATU said that the government did not seem to have a plan to deal with dilapidating state-owned companies, submitting that comprehensive plans were required, as a matter of urgency, to stabilise and revive key state-owned companies.
     4. COSATU welcomed that government did not increase the Value Added Tax (VAT) and income tax. It said it appreciated the inflation linked tax relief for working and middle class families. It said that government should have honoured the commitment made by the Minister for Finance in the 2019 MTBPS to progressively reform taxes. It said this could have helped to plug tax loopholes and to increase taxes upon the wealthy through a combination of tax bracket adjustments on income tax, company tax, inheritance and estate duty taxes, and excise duties on luxury goods and imports. It said that this would have helped to provide additional revenue to the fiscus.
     5. COSATU further welcomed the steps undertaken to rebuild the capacity of SARS and to tackle tax evasion. It noted that currently, only 5% of import containers are inspected for customs compliance. It said that this resulted in the loss of billions of rands in revenue, job losses, damage to the local manufacturing sector and lost investments spent by the state in supporting local industries. It added that effective interventions were needed in customs and tax enforcement.
  2. **National Union of Metalworkers of South Africa**
     1. NUMSA said it disagreed with the planned wage bill reduction of R160.2 billion over the medium-term. It said these cuts were clearly an attempt to reassure white monopoly capital and credit rating agencies by pretending that everything was under control and no radical changes were required in the economy. NUMSA submitted that government priorities needed to be centred around the developmental needs of the country and not be reactionary nor directed at appeasing forces that have generally never cared nor bothered about the conditions of the working class and the poor.
     2. NUMSA said it would like to see concrete plans of action and timeframes on the commitments made on health and education.
     3. It said that the threat of aggressive austerity measures and the steamrolling of privatisation of state-owned companies will worsen the country’s economic conditions and will now have greater impetus under the pretext of containing the economic recession.
     4. NUMSA said that the government should strengthen and broaden the small business preferential business tax, the VAT registration threshold as well as the turnover tax. Moreover, government should implement policies aimed at protecting small and medium businesses from the impact of the foreign markets. On property taxes, government should be renegotiating with commercial banks on the stringent rules put on applications for home loans and the exorbitant interest rates charged on them, NUMSA submitted.
     5. NUMSA said that the government can only stimulate the economy by generating demand and effectively investing in the economy. To counter lower economic growth and lessen debt costs, government should strength its industrial policies and the Innovation Fund, it said. NUMSA said that the work in NEDLAC that contribute inputs to the South African Budget outline should not only consider union federations that are linked to the governing party but should include all unions who represent workers that are key to the industrial output of the country.
     6. NUMSA submitted that the government’s carbon emissions strategies and budget planning requirements should prioritise the retraining and reskilling of workers, real subsidisation of high emission companies to transition and adjust to the green economy, and have a proper social plan in place to absorb thousands of workers who will be displaced by the closure of coal fired power stations. For carbon tax to be more effective, sufficient time needed to be granted for a transition from fossils and carbon economy to renewable energy, NUMSA said. It said that this will give space for employees and communities to also have their fair share in owning in the renewable sector. NUMSA submitted that renewable energy should be procured at a cost that is affordable to the fiscus.
     7. NUMSA welcomed the announcements on the establishment of a sovereign wealth fund. It said that it could be a possible funding source and the government needs to have a strategy in place to ensure that mining companies continue mining if it is to succeed in its envisaged strategy.
  3. **Rural Health Advocacy Project**
     1. RHAP raised concerns on the revenue raising proposals and harsh austerity measures in the form of spending cuts. It said that these will exacerbate poverty and inequality and retard job creation and economic growth.
     2. RHAP submitted that any cut in health expenditure is gender-negative because women are the biggest users of the health care system and, in the majority of cases, serve as primary caregivers to dependents, both children and relatives. RHAP was of the view that for the provision of health care in rural contexts, carefully considered budgets are essential in ensuring sufficient resources are available to deliver on activities and meet objectives.
     3. RHAP submitted that government departments, including the National Treasury, needed to “rural-proof” budgets before they are finalized in order to mitigate the effects of austerity. It said that an effective manner to “rural-proof” budgets is to adopt a rural adjuster that accounts for factors such as economies of scale and the higher unit costs of goods and services in rural settings. It said that a rural adjuster could be included in budgeting guidelines that NT issues to provinces to use when they undertake their budgeting or it could be built in to a resource allocation formula used to determine the proportion of available resources a province or department should receive.
     4. RHAP said that the Finance Committees should consider taking a lead on reigniting the Women’s Budget Initiative that prepared women and children’s budgets.It said that the Committees should request a presentation on the District Health Coordination model, particularly to seek clarity on how the procurement mechanism will be transparent and accountable.
  4. **Fiscal Cliff Study Group**
     1. The FCSG said that based on data in the 2020 Budget, the fiscal cliff barometer reading is 0,475, which is higher than the barometer reading of 0,390 of the 2019 Budget, therefore representing a further deterioration over the past year. Based on trends manifesting in the 2020 budget, South Africa will reach a fiscal cliff in 21 years, by 2041.
     2. It said that civil service remuneration is a significant driver of the looming fiscal cliff. It welcomed the announcement by the Minister of Finance of adjustments on the wage bill by about R160 billion over the medium term. It said that it was important to note that this was a budgeted reduction in comparison to the 2019 MTBPS budget figures, which according to its calculations, will be closer to R147,5 billion. It clarified that this was thus not a remuneration reduction, and the average annual increase in the wage bill was estimated at 3,5 percent per annum over the medium term (compared to a budgeted increase of 6,3% in the 2019 MTBPS). It said that an increase in the wage budget of some 1,5 per cent for 2020/21 allows for notch increases and no general increases or remuneration adjustments can be afforded. It said that the success of the budget turned on this point. It said that its preliminary calculations indicated that should an additional general increase in the civil service remuneration be approved, the deficit before borrowing could increase to as much as 7,5 per cent of GDP.
     3. The FCSG said that the tax burden on individuals increased during the last few years. This included increases in the marginal tax rates of individuals in 2015/16 and 2017/18 as well as bracket creep since the 2015/16 fiscal year. An analysis of the number of taxpayers per income category indicated that during 2020/21 some 573 000 individual taxpayers (or 8,0 percent) fell into the top three income tax brackets (income of R750 000 or more per annum). It said that these taxpayers alone will contribute some R284 billion during 2020/21, which represents 52.0 per cent of personal income tax or 20.0 per cent of total government revenue. Against this background it was interesting to see personal income tax brackets adjusted for tax relief in the 2020/21 fiscal year, the FCSG said.
     4. The FCSG said that given that the market was anticipating further tax increases means a missed opportunity by government to raise additional taxes. By allowing no brackets adjustments for tax relief on personal income tax, an estimated R14 billion could have been collected, while an increase of 1 percentage point in VAT could have added around R24 billion, the FCSG said. It added that together, these increases could have limited the budget deficit to some 6,3 percent of GDP (in comparison to the 6,8 per cent budgeted for).
     5. It said that an analysis of the main budget balance indicated a large and widening budget deficit which averaged 5.1 per cent of GDP over the period 2009/10 to 2022/23 (based on Treasury’s forecasts in the 2020 Budget). This, it said, indicated that government was running a largely expansionary budget, in contrast to the notion of an “austerity budget”. It said that this was worrying given the strong upwards trajectory in the government debt ratio which worsened significantly based on Treasury’s own forecasts compared to the 2019 Budget. As far as the fiscal cliff is concerned, this has a direct impact on debt-service costs, which remains the fastest growing major expenditure item as it is estimated to increase by an average 12,3 percent over the medium term.
     6. The FCSG reiterated its proposals that the national and provincial governments should only purchase vehicles manufactured in South Africa. It expressed disappointment that no response had been received on this proposal to date. The 2019 MTBPS alluded to this matter by indicating that the cost of official cars will be capped at R800 000, the FCSG said. The FCSG believes that this was a step in the right direction, but that more could be done.
  5. **Organisation Undoing Tax Abuse (OUTA)**
     1. OUTA noted that low growth has led to a R63.3 billion downward revision to estimates of tax revenue in 2019/20 relative to the 2019 Budget. It welcomed the tax relief as a positive shift and said that much more countercyclical measures, with an emphasis on infrastructure and capital budgets were required. OUTA said it was concerned that debt servicing costs were the fastest growing line item in the budget.
     2. OUTA recommended that all government agencies (central, regional and local) that do not confer a direct and immediate benefit on the public at large should be wound up or consolidated. OUTA also recommended a realigned organisational structure to remedy serious oversight failures in state-owned companies. It recommended publicly visible and inclusive oversight reforms and the introduction of the abandoned *Government Shareholder Management Bill*.
     3. It recommended that NT should engage with the SARS Commissioner about offering tax breaks to individuals or businesses buying a solar water heater on a roof, heat pump and/or, gas stove. It proposed that these be made 100% tax deductible if done before February 2021. OUTA also recommended that the Department of Energy should install the solar water geysers on which it incurred R110 million in fruitless and wasteful expenditure in storage costs during 2018/19.
     4. OUTA recommended that the Finance Committees follow up with the Portfolio Committee on Mineral Resources and Energy on the turnaround strategy on Nuclear Energy Corporation of South Africa’s strained financial position, maladministration and irregular expenditure. It noted that R3 billion involved in this issue was a lot of money.
  6. **South African Institute of Chartered Accountants (SAICA)** 
     1. SAICA commended the Minister on acknowledging the high burden that already rested on taxpayers by introducing no substantial tax increases, particularly on the corporate and personal income taxes. It further commended the Budget for introducing measures to strengthen the Tax Ombuds Office by making it financially and operationally independent from SARS, focusing on the rebuilding of the capacity at SARS and reprioritising funds to enhance prosecutions and address corruption cases.
     2. SAICA’s main concern remained the continual increase in public expenditure. It alleged that the increases in wages had occurred in the absence of any increases in productivity. It suggested that increasing wages in the absence of productivity is essentially hampering the creation of jobs by the private sector, as the money spent on the unproductive employees in the public sector is not being channelled to businesses that have the potential to use this money productively to grow the economy.
     3. SAICA urged Parliament to carefully interrogate budgets that show increases in expense allocations and to further scrutinise expenses within those budgets for reasonability and value-add. In addition to this, SAICA urged Parliament to hold to account those who exceed or misspend their budgets.
  7. **PricewaterhouseCoopers (PwC)**
     1. PWC welcomed the proposal to provide some relief on personal income tax and the measures in the Budget to reduce growth in the public-service wage bill. PWC cautioned that if the latter proposal is not implemented, fiscal deficit will move toward 8 percent of the GDP, thus leading to a debt spiral and cause further downgrades. PWC said it was concerned that the Budget does not stipulate in detail how the compensation reductions will affect departments.
     2. PWC recommended a restructuring of the corporate income tax system over the medium term by broadening the tax base and reducing the CIT rate. It said that any increase in the CIT rate will have a negative impact on investments. It also welcomed the review of tax incentives.
     3. PWC said that the period afforded to stakeholders to both consider and provide comments on tax treatment of excessive debt financing, interest deductions and other financial payments was inadequate.
  8. **National Council Against Smoking and Tobacco Control Advocacy Alliance**
     1. NCAS and TCAA made a joint submission and submitted that the increase in the excise taxes on tobacco were inadequate to cover the harm they caused. They said that tobacco excise was projected to raise R13 billion while the costs related to its harm were estimated at R59 billion per annum. They said that tobacco consumption was linked to HIV, TB and other non-communicable diseases such as cancer, strokes and heart disease. They said that tobacco reduced the efficacy of medication that is provided for these diseases. They called for steeper increases in tobacco excise.
     2. They said that increases in tobacco excise taxes can help expand the country’s tax base. This would further mobilise additional public revenue to fund public services like health and education, they said. They said that the Philippines raised US$3 billion, close to 1 percent of its GDP from 2013-2015. They also sighted similar revenue raising measures in Colombia, Moldova, Montenegro, and Ukraine. They said that the increases will be a win-win for health and the economy.
     3. They welcomed the imposition of taxes on e-cigarettes/vaping products. They said that this will reduce youth use of these products and prevent nicotine addiction and later switching to cigarettes. They noted that in some instances e-cigarettes were being sold without any regulation and were placed next to smoking and heart medication.
     4. NCAS and TCAA said that evidence shows that increases in tobacco excise duties do not lead to increases in the illicit trade. It said that non-price factors, such as enforcement, quality of tax administration, strength of regulatory framework, government commitment or willingness to control illicit activities as well as social acceptance of illicit trade, were more important determinants of the size of the illicit tobacco market.

* 1. **Budget Justice Coalition** 
     1. BJC contended that Budget 2020 proposals risked further harm to the economy by slashing funding for socio-economic development. It noted that the Budget proposed a reduction in spending on government programmes and services by R66 billion in 2020/21, R88 billion in 2021/22 and R107 billion in 2022/23. It argued that these proposals serve to further undermine South Africa’s pro-poor agenda contained in Chapter 13 of the Bills of Rights, which affirm second generation rights. It called for an end to unsustainable budget cuts and a concerted effort to build the state’s capacity to promote inclusive growth and a public finance management system that meets South Africa’s developmental needs. It submitted that growing the economy must include a targeted social and economic stimulus plan that will raise demand.
     2. BJC said it had repeatedly provided government with pro-poor economic policy options to steer the economy back towards a higher and equitable growth path to no avail. It said that the continued implementation of regressive (austerity) policies has only served to drag economic growth down while the debt-to-GDP ratio deteriorated.
     3. It further contended that Parliament has not fulfilled its key role to represent the public interest in budget decisions, pointing out that Parliament and NT have not adequately engaged its proposals including especially those aimed at reducing inequality, particularly gender inequality.
     4. BJC argued that the budget is a major tool for transforming gender relations and the realisation of an intersectional feminist budget. It said that information on how the ‘intersection’ of race, class, gender identity, age, geographical location, disability, migrancy impacted on different people’s lives should underpin the budget process. It said while South Africa was the second country in the world to pioneer gender responsive budgeting, it had significantly regressed adding that the lack of a gender responsive budget is reflected in how the government had engaged with issues of violence against women and gender-based violence.
     5. BJC decried the strenuous deadlines imposed by the amended Money Bills Amendment Procedure and Related Matters Amendment Act. It said that the amendments had made it even more difficult for the public to participate as the Finance Committees are expected to report to the Houses of Parliament within 15 days as opposed to 30 days prior the amendment of the Act. It said that these timeframes failed to support the Constitutional requirement to ‘encourage the public to participate in policy-making’.
     6. BJC made inputs covering a wide range of issues; arguing for an increase in the CIT rate, calling for an end of tax breaks to the rich, advocating for measures to oversee and improve governance in state-owned companies, and calling for general accountability and measures to deal with corruption and leakages.
  2. **Vapour Products Association of South Africa** 
     1. VPASA said that no firm proposal has yet been made on how NT expects to tax vaping products, but believed that the proposed tax will have a detrimental impact on the vaping industry and impact its potential to create jobs. VPASA said it was concerned that the proposals to tax was made in the absence of any credible information about the size of the industry and how it actually works. It said that the absence of this information will be entirely detrimental to the ability of government to institute a credible taxation regime on vapour products.
     2. VPASA said it was worried that instituting such a tax at this point in time will severely limit the ability of the industry to grow and in time, supplant tobacco consumption, which is globally recognised as the only product that kills half of its users. It said it would like government to foreground harm reduction in its thinking and to recognise that vaping provides an opportunity for policy makers to severely reduce tobacco consumption. It believes that, although not completely harmless, vaping is recognised as being 95% less harmful than tobacco, which presents opportunities to reduce the incidence of non-communicable diseases which are currently a growing burden on the public health system.
     3. VPASA said it was concerned that the government has not properly thought through how the tax will be collected due to the fragmented nature of the industry. It said it was worried that any attempts to tax the industry at this early stage are likely to spawn illicit trade and a proliferation of cheap and unsafe alternatives due to the diffused nature of the industry.
     4. It recommended that the government should take a considered approach to monitor the development of the industry over the next three years. It said that no efforts should be made during this time to impose a tax. VPASA said that this will give government and industry an opportunity to understand the vaping industry better, devise a practicable tax regime, and prevent possible revenue leakages which could have spill-over effects on product safety.
  3. **Twisp**
     1. Twisp welcomed the decision of the Minister to allow for a period of 12 months before looking into imposing excising duty on vapour products in South Africa. It said it strongly believes that there was a clear need for the mechanics of the industry to be fully researched and understood before deciding on how and when to apply excise on vapour products.
     2. It said that many producers are small and new with limited or no experience of tax collection. Twisp strongly submitted that should its industry be taxed, it would be imperative that the industry is understood through research and assessment of the market and scientific evidence. A thorough study and research on the various relevant parties of the market; consumers, retailers, distributers, importers and manufacturers should be conducted, it submitted.
     3. It said that vapour products use pharmaceutical grade nicotine and non-nicotine chemical formulation instead of tobacco leaf. This was a fundamental difference that needs to be accounted for when deciding on taxing vapour products, VPASA said.
     4. It said that there is currently no harmonized approach on vapour excise at EU level. However, some member states have decided to tax vaping per millilitre of e-liquid in the product, it said. VPASA said that should South Africa move towards a tax on vapour products, the rate should be based on a millilitre. It said that as taxation revenue from the vapour products is bound to come from small and medium enterprises, it was critical that the appropriate measures are put in place to facilitate the understanding and collection. It was imperative that there is no double taxation as this will inevitably lead to further burdening the small businesses, VPASA said.
     5. It submitted that taxation is often known to be one of the main causes of illicit trade. A well thought enforcement plan should be put in place with the industry to ensure that every party abides by the new set of legislation, VPASA said. It is essential that clear steps are part and parcel of the new taxation framework to ensure a level playing field in the country as well as prevent any unintended consequences from illicit trading, VPASA submitted.
  4. **British American Tobacco South Africa (BATSA)**
     1. BATSA welcomed the moderate, across the board, tax increases for tobacco and tobacco related products introduced in the 2020 Budget as they demonstrate a clear appreciation by NT for the hardships faced by consumers. BATSA also welcomed the Minister’s imposition of a 75 per cent of excise duty on tobacco heated products.
     2. BATSA recommended that NT returns to its policy target for a cigarette excise incidence of 40 per cent of the most popular price category.
     3. With regards to the classification of tobacco heated products, BATSA suggested that NT and SARS should engage in a consultative process. BATSA further requested that a review of the announced excise duty rates be undertaken for accuracy and completeness. It, however, recommended that NT only implements the intention of applying excise duty for tobacco heated products once the tariff heading thereof has been announced.
  5. **Limpopo Tobacco Processors** 
     1. LTP welcomed the Finance Minister’s announcement on slightly increased excise charges for cigarettes and related tobacco products. LTP were also of the view that the Minister’s imposition of a 75 per cent of the cigarette excise duty on tobacco heated products was a fair approach that will ensure that revenue generation is not solely dependent on cigarettes. It said that this will create further opportunities for government to generate more revenue from categories that were previously untaxed.
     2. LTP encouraged policy certainty and return to the policy target of a cigarette excise incidence of 40 per cent of the most popular price category.
  6. **Black Tobacco Farmers Association** 
     1. BTFA submitted that a moderate tax increase will go a long way in ensuring the survival of black tobacco farmers by making sure that legal tobacco products remain relatively affordable for South African consumers. It will also ensure that consumers continue consuming legally produced and manufactured tobacco products as opposed to illegally produced ones.
     2. BTFA also welcomed the Minister’s imposition of a 75 percent of a cigarette excise duty on tobacco heated products. BTFA believes that this approach was fair as it will ensure that revenue generation is not only reliant on cigarettes. The excise introduction for this category will also present an opportunity for government to generate revenue from other categories that were formerly not taxed.
     3. BTFA urged for policy certainty and return to the target for a cigarette excise incidence of 40 per cent of the most popular price category.
  7. **South Africa Tobacco Transformation Alliance** 
     1. SATTA commended the Minister of Finance for the slight increase in excise charges, and the projected revenue from the related tobacco products. It said that this moderate excise increase will not only ensure the survival of the tobacco industry, particularly in respect of smaller farmers, but it will ensure that consumers continue opting for legally produced and manufactured tobacco products as opposed to illegal ones.
     2. SATTA welcomed the imposition of the cigarette excise duty on tobacco heated products as the introduction of this category will contribute towards a more balanced excise framework.
     3. SATTA urged for policy certainty and return to a target for cigarette excise incidence of 40 per cent of the most popular price category.
  8. **African Climate Reality Project**
     1. ACRP made submission on the Carbon Tax and the plastic beg levy. It welcomed the Minister’s announcement that the Carbon Tax and other measures will bring in an expected revenue of R1.75 billion in the coming months. It said that this will help green South Africa’s economy. It said it also welcomed that revenue from the Carbon Tax will be recycled and invested in the green economy and complemented by more focussed spending on climate change mitigation.
     2. It submitted that the tax rate until December 2022 of R120 per ton of CO2 equivalent of greenhouse gas emissions, to be increased annually as per consumer price inflation was wholly insufficient. It said that research by the High-Level Commission on Carbon Prices indicated that a minimum carbon price should be in the range of R550 to R1,110 CO2 equivalent by 2020. It further said that the number and scale of tax rebates applicable during the next two year undermine the effectiveness of the carbon tax system by offering significant rebates (from 60% to 95%) to most of the industries that are in fact the heaviest carbon emitters. It submitted that the Carbon Tax rate should be increased as this would bring in much more needed revenue to the fiscus in light of the costs of climate change which is estimated to cost South Africa about 10% of its GDP.
     3. ACRP highlighted the dangers of single-use plastic pollution to the environment and recommended that a levy should be extended to all single use plastic items, including but not limited to plastic bags, straws, plastic beverages bottles, plastic cutlery, food packaging film, polystyrene food packaging, plastic food or sweet wrappers and take-away warm beverage cups. It further recommended that the revenue raised on plastic items be used to fund programmes consistent with removing plastic pollution from South Africa such as research and production of product alternatives, recycling programmes, capacity building programmes and SME development for existing informal waste pickers.

* 1. **Mr Mali Buthelezi**
     1. Mr Buthelezi questioned the use of money as a store of value and medium of exchange, calling for the return to the usage of older mediums of exchange. He said that money causes too much conflict in society, arguing that if we needed to solve societal problems, society needs to get rid of money. He also called for the abolition of all debt, not only in South Africa, but across the world.

1. **NATIONAL TREASURY’S RESPONSES TO PUBLIC SUBMISSIONS**
   1. NT noted that most submission centred around the appropriateness of the budget given the current economic situation. The main discussion point was around the fiscal consolidation versus fiscal stimulus debate. Another main discussion point was around the wage bill and other baseline proposals and their implications. Lastly, submissions centred around the tax proposals particularly as they related to the need for additional revenue as well as tobacco products.
   2. On the fiscal consolidation versus stimulus debate, NT explained that government was proposing a tough budget because the country was facing an unsustainable fiscal outlook that could result in crisis. It said that balancing the budget and stabilising debt was essential to pre-empt future fiscal adjustments. It further noted that debt service costs will continue to be the fastest growing area of expenditure, crowding out social spending. It noted further that goods and services and capital budgets continued to grow faster than inflation over the MTEF, while the wage bill will grow below inflation. NT said that the projected reductions reflected lower growth in spending, relative to baselines that were founded on more optimistic forecasts on revenue and growth. Despite the reductions, the deficit is expected to widen to 6.8% of the GDP (R37.5 billion) in 2020/21 and debt will rise to R3.6 trillion.
   3. NT noted that the stimulus versus austerity debate implied that South Africa was facing a short-term cyclical slowdown in growth. It said that government’s view was that South Africa’s growth problems were largely structural. It said that South Africa has been running large deficits for the past ten years, while GDP growth continued to decline. The supply-side growth reforms to lower the cost of doing business included measures to acquire additional electricity from IPPs, accelerating the corporatisation of the National Ports Authority, rail and telecoms reforms and support for small businesses by enhancing industrial policy and implementing, among others initiatives, the sectoral master plans to boost investment and employment.
   4. On the wage bill, NT said that government was not proposing a reduction in nominal wages nor headcount. It said that the proposal was to reduce the wage bill growth to below CPI inflation. NT said that Budget 2020 made provision for slower increases in the consolidated wage bill, which is projected to grow by 1,5% in 2020/21, 4.5% and 4.4% in the two outer years. It noted that public sector wages had increased by 40% in real terms over the past 12 years. It further said that this growth had outpaced the rest of the economy. It further noted that the current wage agreement had been more generous than envisaged, because CPI has been revised down for this year and last year. It said that the reductions in the wage bill could now open the door to increased hiring of teachers, health workers and others in future.
   5. NT noted that complimentary efforts to combat wasteful expenditure and make spending more efficient were required, although they were not sufficient to close the budget deficit. These spending efficiencies included procurement reforms to make procurement easier, reducing unfunded municipal budgets and improving municipal revenue collection, limiting unreasonable legal claims against the state, reviewing tax incentives, introducing a new law on the remuneration framework for public entities and state-owned companies and, applying no increase in salaries for public office bearers in 2020/21.
   6. NT said that over the past five years, the majority of fiscal consolidation had come through tax increases, while revenue shortfalls had been getting larger. It was due to the latter that government decided not to raise additional tax revenue, NT said. It said that additional tax revenue from Carbon Tax and plastic bad levy provided R2 billion relied for personal income tax. NT acknowledged that while the tax-to-GDP ratio was relatively high for the country at South Africa’s level of development, there could still be scope for tax increases if the economy recovers.
   7. NT responded, in respect of the excise duty on tobacco, that the targeted excise burden of 40% of the price of a pack of the most popular brand was merely a policy guideline not a legislated requirement. The Minister of Finance had a discretion not to follow this guideline if circumstances required, NT said. It also said that in recent years, excise duty increases on tobacco had been above inflation in order to assist with fiscal consolidation through tax increases. NT explained that a workshop will be held in the next few weeks on the tax on e-cigarettes (vaping).
   8. NT also stated that amendments to income taxes over the past five years had increased the progressivity of the income tax system. Examples of this were the one percentage point increase in tax rates across all the income brackets (exclude the bottom bracket), a new top income tax bracket with a rate of 45% for taxable income above R1.5 million, increase in the dividends tax rate from 15% to 20% and capital gains inclusion rate from 25% to 40%, NT said. It welcomed comments on the review of incentives to raise revenue and improve the progressivity of the overall tax system.
2. **COMMITTEES OBSERVATIONS AND RECOMMENDATIONS**
   1. The Committee notes that Budget 2020 was presented amid a global economic environment which was expected to improve growth from 2.9 per cent in 2019/20 to 3.3 per cent in 2020/21 and 3.4 per cent in 2021/22. It notes further that, with the exception of China, the growth rates in emerging economies were expected to improve. While this environment is supportive to growth, there are downside risks that have not been factored in, such as, among others, the recent outbreak of the Coronavirus which started in China and has spread to many parts of the world. The uncertainties as a result of the Coronavirus may dampen China’s economic growth with negative implications for the global economy and its trading partners, including South Africa.
   2. The Committee is very concerned that South Africa’s economic outlook of 0.2 per cent growth in 2019/20, following the 3rd and 4th quarter GDP contraction by 0.8 percent and 1.4 per cent, respectively, leading to a second recession in 2 years (a third such recession since 1994), 0.9 per cent in 2020/21, 1.3 per cent in 2021/22 and 1.6 per cent in 2022/23 is weak compared to the global and regional growth averages. When briefing the Finance Committees on 20 February this year, the South African Reserve Bank stated that South Africa’s projected growth was “disconnected,” “unusual” and “subdued” as there was usually a much closer correlation of the country’s growth to the global and regional (Sub-Saharan) growth averages. The Committee notes that the weak growth forecasts are attributed to, among others, the poor financial health of state owned companies, unreliable supply and the slow implementation of structural reforms.
   3. The Committee is concerned that the budget deficit may likely widen further than projected due to increased demands from state-owned companies. The deteriorating financial position of Eskom, the Road Accident Fund and SAA are a major concern to the Committee.
   4. The Committee is further concerned that this low growth has led to a R63.3 billion downward revision to estimates of tax revenue in 2019/20 when compared to the forecast in the 2019 Budget (R10.7 billion more when compared to the estimates of the 2019 MTBPS). The Committee expresses its concern that these may further deteriorate given the economic recession announced last week by Statistics South Africa.
   5. The Committee welcomes Budget 2020’s tax proposals, particularly the personal income tax relief of about R2 billion offset from the Carbon Tax and the plastic bag levy. It also welcomes the proposed increase of R3000 in the annual contributions limit to tax-free savings accounts. The Committee believe that these, coupled with a favourable inflation outlook and the recent reduction in the repo rate by the South African Reserve Bank, will give some relief to households and contribute to consumer spending and growth. The Committee further notes that tax revenue is projected to grow by 4.9% in 2020/21. The Committee agrees with NT that the fiscus needs higher economic growth in order to be able to absorb tax increases in the future.
   6. The Committee welcomes the fact that the VAT rate was also not increased, but expresses its concern that VAT may be increased in future, according to National Treasury officials. The Committee recognises the acute need to increase tax revenue. The Committee requires National Treasury to provide it with a presentation of relevant research on the entire tax system. Such a presentation should done before changes to major tax instruments are proposed.
   7. The Committee welcomes the re-establishment of the Davis Tax Committee to address tax leakages and to undertake a review of tax incentives and subsidies. The Committee would like to hear more on, among other issues, the effective tax rate for CIT.
   8. The Committee supports the measures proposed to strengthen the Office of the Tax Ombuds through giving it financial and operational independence from SARS.
   9. The Committee notes the proposal to introduce an Inspector-General to oversee SARS. However, the Committees of Finance would like to be briefed jointly in the next quarter on the overall changes being proposed to SARS, including those that emerge from the recommendations of the Nugent Commission, so that we have an overall sense of the restructuring of SARS rather than the current piecemeal approach of Treasury. In the Budget Review and Recommendation Report of Standing Committee on Finance of October 2019, the Committee state that “The Committee believes that there is a need for a discussion and clarity on the recommendations of the Nugent Commission and the Davis Tax Committee on the administration of SARS, as the former recommended the appointment of an Inspector General and the latter, the establishment of a governance or advisory Board. The Committee expects to be briefed by the National Treasury and SARS on the Katz Commission, Davis Tax Committee and the Nugent Commission on the administration of SARS once a discussion document on these issues has been finalized.” The Committee reiterates this.
   10. The Committee welcomes the announced measures to limit corporate interest deductions in order to combat base erosion and profit shifting, and restrictions on the ability of companies to fully offset assessed losses from previous years against taxable income. The Committee looks forward to engaging on these proposals further when processing the tax bills during the year.
   11. The Committee notes all the submissions made in respect of proposals on excise duties on tobacco and vaping products. The Committee will take these comments into considerations when processing the draft tax Bills, which all stakeholders are welcome to participate in.
   12. The Committee notes the proposal in the public hearings that NT and SARS should more effectively explore boosting revenue by taxing income and profits from the digital economy, even if this means developing unilateral measures if global consensus is lacking on these issues. The Committee understands that SARS is already taxing income/profits from e-services/ digital economy. The Committee will however schedule a briefing with SARS and NT on the taxing of the digital economy in order get a big picture on the size of this economy and measures that have been put in place to ensure more revenue from it.
   13. The Committee is concerned that unemployment is rising, with the number of people employed averaging around 156 700 a year, while new entrants averaged 373 500. Compared to the 4th quarter of 2018, the official unemployment rate rose from 27.1 per cent to 29.1 per cent in the fourth quarter of 2019. Over the same period, youth unemployment rose to 58.1 per cent from 54.7 per cent. The Committee is concerned that these high unemployment levels will increase poverty and exacerbate inequalities—further negating the country’s ability to achieve the NDP goals and targets. The Committee urges not just National Treasury but the government as a whole to work more effectively together and with the private sector, labour and civil society as a whole to foster job-creating economic growth.
   14. The Committee notes that Budget 2020 proposed a total consolidated spending of R1.95 billion in 2020/21. It welcomes that the largest spending items were learning and culture at R396.4 billion, social development at R309.5 billion and health at R229.7 billion. The MTEF consolidated spending is R6.14 trillion. The Committee notes that this spending is accompanied by austere spending cuts of 20 per cent over the medium-term, starting with 6 per cent in 2020/21 and 7 per cent in each of the outer two years. These include the baseline reductions and reallocations of R260.9 billion, which is composed of R100.8 billion reductions in programme baselines and R160.2 billion cuts on the wage bill. The Committee notes with concern that most of these medium-term baseline reductions could impact negatively on the government’s ability to deliver basic services These reductions are in critical spending areas such as human settlements (R146 billion), public transport (R13.2 billion), basic and higher education (R5.2 billion), Health (R3.9 billion) and the Municipal Infrastructure Grant (R2.8 billion). The Committee will cooperate with the Standing Committee on Appropriations in its processing of these allocations.
   15. The Committee notes the assurances from NT that the R160.2 billion proposed cuts on the wage bill would not result in a reduction in nominal wages or in headcount, but a reduction in its growth to below CPI inflation. The Committee further acknowledges the assurance of the Minister that negotiations were under way with labour to ensure consensus on these wage cuts and urges that these negotiations be as consultative as possible.
   16. The Committee notes and welcomes the proposed structural reforms of reducing the costs of doing business. Among these, it notes measures to purchase additional electricity from IPPs and proposals to enable municipalities to self-generate or purchase electricity directly from private producers. The Committee believes that the initiatives on the purchase of additional electricity from independent power producers should be handled sensitively, responsibly and in a manner that does not compromise the fiscus.
   17. The Committee welcomes the gazetting of the long awaited Procurement Bill, measures to accelerate digital migration and the proposed release and auctioning of the broadband spectrum. The Committee calls on the National Treasury to capacitate the Office of the Chief Procurement Officer to tackle, among other things, issues of over-pricing when the state procures goods and services. There needs to be value for money in every sense, including in procurement, and the Committee will attend to this in various ways, including in the processing of the Procurement Bill
   18. Given the desperate need for revenue, the Committee urges government to accelerate the auctioning of the broadband spectrum.
   19. The Committee is concerned that the country’s debt is not projected to stabilise over the medium-term, with debt servicing costs projected to absorb 15.2% of the main budget revenue and being the fastest growing expenditure.
   20. The Committee notes the comments from the PBO and agrees that the supply-side interventions in the economy should be complemented or balanced with measures to stimulate demand. Fiscal consolidation has been implemented over some time now, while the fiscal situation continues to deteriorate.
   21. The majority in the Committee welcomes measures announced for the establishment of the sovereign wealth fund and the establishment of a state-owned commercial bank. It believes that these will go some way in dealing with market failures in the economy and ensure economic inclusion. The Committee believes that the establishment of a state-owned commercial bank requires very close scrutiny to ensure that it does not become another failed state-owned enterprise. A possibility for government to consider is that as the South African Reserve Bank is divesting itself from the African Bank, the African Bank be made the envisaged state-owned bank.
   22. The previous Committee has for several years urged government to deal more effectively with base erosion, profit shifting and illicit financial flows. The Committee feels that there has not been much done to deal with these issues as there were no tangible outcomes to the previous Committees’ recommendations to establish an inter-ministerial committee to deal with these matters. Moreover, there seems, up until now, to have been no high-profile prosecutions on these issues by the country’s regulatory and law enforcement agencies. The Committee repeats its recommendation that the President considers establishing an inter-ministerial committee to tackle IFFs, particularly by multi-national companies operating in South Africa, more effectively.
   23. The Committee notes that Budget 2020 was delivered without the Budget Priorities Framework (Mandate Paper) and the MTSF for the sixth administration. The Committee understands that these documents are being prepared. The Committee agrees with submissions in the public hearings that the budget should be aligned with the presidential priorities announced in the State of the Nation Address and the MTSF for the sixth administration in order to ensure that the goals of the NDP remain in focus.
   24. The Committee agrees with the Minister of Finance that the allocation of R5 billion per year into the contingency reserves is inadequate for South Africa’s role in assisting with regional disasters in the region and across the world, and recommends that this be increased in the years ahead.
   25. The Committee once again reiterates its recommendation that members of the executive and government officials should buy cars manufactured or assembled in South Africa for official use. The Committee will pursue this once again with the Presidency but also requires National Treasury to report on this.
   26. In view of the challenged circumstances of the present, our Committee more than ever needs to exercise its role more effectively and efficiently as required in terms of the Constitution and legislation. Many of the issues that emerge from the budget involve other parliamentary committees and we commit to cooperating with them in parliament as a whole being more effective and efficient in its oversight role of the executive and ensuring the effective implementation of programmes and plans. We have to ensure that wastage and corruption are significantly reduced and that there is far more value for money spent.
   27. The Committee believes that government alone cannot ensure the necessary economic growth. Parliament, the private sector, trade unions, other sections of civil society and the public all have a role to play. However, government has to lead in this regard.
   28. The Committee requests that the above observations and recommendations be read together with those in its report on the Revised and Proposed Fiscal Framework (MTBPS) of 12 November 2019.

**The DA reserves its position.**

Report to be considered.