# WEDNESDAY, 11 NOVEMBER 2020

***PROCEEDINGS OF THE NATIONAL COUNCIL OF PROVINCES***

The Council met at 14:01.

The Chairperson took the Chair and requested members to observe a moment of silence for prayers or meditation.

The Chairperson announced that the virtual sitting constituted a sitting of the National Council of Provinces.

The CHAIRPERSON OF THE NCOP: [Inaudible.] ... urge all delegates – notify them – that the interpretation facility is hectic. Lastly, any delegate wishing to speak must use the “raise your hand” function or the “raise your hand” icon. Having said that, I’m informed that

there will be no notices of motion or motions without notice. So, hon delegates, in accordance with Council

Rule 247(1), there will be no notices of motion or motions without notice.

# CONSIDERATION OF REPORT OF SELECT COMMITTEE ON FINANCE ON THE 2020 REVISED FISCAL FRAMEWORK AND REVENUE PROPOSALS

Mr E Z NJADU: Chairperson of the National Council of Provinces hon Amos Masondo, chairperson of the finance committee hon Yunus Carrim and Chief Whip of the House hon S Mohai, I present the report of the Select Committee on Finance on the 2020 Revised Fiscal Framework and Revenue Proposals dated 10 November 2020. Having considered the 2020 Medium-Term Budget Policy Statement, the MTBPS, of the Minister of Finance on the revised fiscal framework and the 2021-22-2023-24 revenue proposals, the Select Committee on Finance reports as follows.

The Minister of Finance, Tito Mboweni, tabled the 2020 revised fiscal framework and revenue proposals of the 2021 medium-term framework in line with the relevant provisions of the Money Bills Amendment Procedure and Related Matters Act, Act 9 of 2009, on 28 October 2020.

The Minister further briefed the committees, virtually, on finance and appropriations of both Houses on 29 October, accompanied by the Deputy Minister of Finance Dr David Masondo and the National Treasury team.

The Committee received an analysis and submissions on the revised and proposed frameworks from the statutory bodies, the Parliamentary Budget Office, the PBO, and the Financial and Fiscal Commission, the FFC, 3 November.

The committee invited public comments on the MTBPS, and received written and oral submissions on 4 November from the Congress of SA Trade Unions, Cosatu, the SA Institute of Chartered Accountants, Saica, the Organisation Undoing Tax Abuse, Outa, the Fiscal Cliff Study Group, the FCSG, the Healthy Living Alliance, Heala, and from Mr Peter Meakin. Written submissions were received from the Budget Justice Coalition, BJC, the Pay the Grant Campaign, the Katsia Capital Partners, the Dear South Africa campaign, Old Mutual Investment and Amandla Mobi.

The committee’s observations and recommendations on the 2020 revised fiscal framework and revenue proposals were

tabled nearly three months after the adoption of the 2020 Special Adjustment Budget that was passed by Parliament in July 2020. The Special Adjustment Budget was presented in response to the health and socioeconomic crises wrought by the COVID-19 global pandemic.

The committee recommends that this report be read with its observations and recommendations in its Special Adjustment Budget and the 2020 fiscal framework reports, where relevant.

The 2020 MTBPS is themed “Securing Economic Recovery beyond COVID-19” and complements the third phase of the socioeconomic measures announced by President Ramaphosa in March and April this year in response to the COVID-19 lockdown as there was an almost complete shutdown in economic activity. It was also presented after the Economic Reconstruction and Recovery Plan, the ERRP, was tabled in Parliament by the President, and debated and adopted in October. The ERRP focuses on building infrastructure, expanding electricity generation, allocating digital spectrum and supporting rapid industrialisation and employment, amongst other things.

The ERRP also seeks to ensure the implementation of long- term structural reforms, such as modernising network industries, reducing barriers to entry and increasing regional integration and trade which the government plans to implement over the medium term and longer.

The committee noted that a detailed implementation schedule has been developed and will be overseen by a council chaired by the President.

The committee further notes the announcement of Operation Vulindlela, an initiative between the Presidency and the National Treasury that will support the implementation of the ERRP.

In this regard, the committee strongly recommends that there be a clear implementation plan that can be monitored for the ERRP, with measurable timelines and outcomes. It also believes that all relevant departments and entities of government will align their strategies and annual plans with the priorities and objectives of the ERRP.

The committee will invite National Treasury to give a more detailed briefing on Operation Vulindlela and the implementation plan of the ERRP. The committee notes that although figures from Statistics SA reflect that the unemployment rate has decreased from 29,0% to 23,3%, there are actually more people – 5,2 million people of working age – who are currently inactive as about 2,2 million people lost their jobs and many businesses shut down during the COVID-19 lockdown.

The committee notes therefore that the decrease in unemployment from 29,0% to 23,3% is as a result of the narrow definition of the concept of employment and that unemployment has actually increased. The committee believes that this will exaggerate inequality and poverty and calls for a more rapid and focused implementation of the ERRP.

The committee welcomes that the ERRP also focuses on re- industrialisation and localisation as some of the key pillars of our national reconstruction and inclusive economic recovery strategy.

The committee believes that there should be significant emphasis on building our domestic productive capacity and that value for money must always remain a key consideration. There also needs to be a key local campaign for the state, private sector and consumers in this regard.

The committee once again reiterates its recommendation that members of the executive and government officials use cars manufactured or assembled in South Africa for official use.

While the committee notes that the assigning of the high- demand digital spectrum and the reducing of the cost of broadband and other costs of doing business form part of the measures of the ERRP, it is still concerned at the slow pace of the auctioning of the digital spectrum and the persistently high cost of broadband for consumers.

The committee reiterates that the National Treasury needs to engage with the Department of Telecommunications and Postal Services on this. Given the desperate need for

revenue, the committee urges government to accelerate the auctioning of the digital spectrum.

Chairperson, the committee notes that the country’s economic outlook has unsurprisingly deteriorated further since the tabling of the Special Adjustment Budget in June. Real GDP is now expected to contract by 7,8%, compared to 7,2%. GDP growth is expected to rebound to 3,3% and moderate at 1,7% and 1,5% in 2022 and 2023 respectively.

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 and policy certainty is imperative in order to revive business confidence and stabilise investment.

The committee notes that the revenue projections have been downwardly revised from those of budget 2022 in the Special Adjustment Budget.

The consolidated revenue is expected to decline from R1 398,0 trillion projected in the 2020 Budget to R1 276,7 trillion in the MTBPS, a decline of

R121 billion. The gross tax revenue is expected to be 17,9% lower than collections in 2019-20.

The CHAIRPERSON OF THE NCOP: As you conclude, hon Njadu.

Mr E Z NJADU: As I conclude, Chairperson, the committee notes the government’s consolidated expenditure as a percentage of GDP is projected to increase 35,9% or R1,85 trillion.

Chairperson, lastly, the committee will encourage all members to familiarise themselves with the contents of this report as this report cuts across all departments.

In this regard, the committee reiterates the call for National Treasury to expedite the tabling of the Public Procurement Bill. The committee further ...

The CHAIRPERONS OF THE NCOP: Please conclude, hon Njadu.

Mr E Z NJADU: Lastly, Chair ...

An HON MEMBER: Chief, listen!

Mr E Z NJADU: ... chair of the committee. Thank you, Chair.

Debate concluded.

*Declarations of vote:*

Ms C LABUSCHAGNE: Chair, can you hear me?

The CHAIRPERSON OF THE NCOP: Yes.

Ms C LABUSCHAGNE: I thought there a was a Speaker’s list for those who will make declarations. Hon Chairperson the report presented for deliberation is a carbon copy of the portfolio committee’s report entrenching the perception that this House is a mere rubber-stamping formality for the ANC. We will not be part of that. We reject this report based on procedure alone.

To get to the detail of the report, the Western Cape has some serious issues to raise. There is a total misunderstanding of the technical details behind the recent report of lower unemployment. The real reason for the decline in unemployment is due to the narrow definition of unemployment requiring a person looking for work to be recorded. This was impossible during lockdown. The result is a statistical anomaly based on a controversial definition that, that point must be made to make this paragraph conflict with the truth.

The Fiscal Framework introduces some serious budget cuts as demanded by the current climate. Since many of the budget cuts related to employee compensation and are therefore reliant on a court process, it is not fully understood that, should that court decision not be in favour of government, the cuts to each department will be reversed in order to ensure that salaries are paid in compliance with the court order. This is going to impact the Division of Revenue Act, Dora Bill as well. Are we to expect a further adjustment budget later in the financial year?

The report addresses the uncertainty of a bailout of SAA and suggests waiting for the next quarterly briefing for information. This does not enable any member of this committee nor the House to make any informed decision when choosing whether to support this framework or not. The matter is a key policy issue. Allocating funding in this quantum would be irresponsible without this briefing. The Minister should inform us before we approve the framework. Time constraints are not our doing and should not be an excuse. The Western Cape rejects this report and demands further clarity on the Fiscal Framework before we can agree to it. Thank you.

Mr P S NGOMANE (Mpumalanga MEC for Finance): Chairperson and hon members, the Mpumalanga province supports the Division of Revenue Bill as presented by the Minister of Finance. We are cognisant of the serious economic and fiscal environment in which the Bill is introduced to the House. It is for this reason that we agree with the principal objective to reignite the economy and return public finance to a sustained position.

The provincial government takes note of the reduction in the equitable share but equally welcomes additional resources to various types of additional grants as indicated in the Bill. [Interjections.]

Mr Y CARRIM: My leader, just a quick thing. Yes, I have to do a reply.

Mr P S NGOMANE (Mpumalanga MEC for Finance): Allocation of resources especially towards Presidential Employment Initiative is most welcomed as it will assist us to save jobs and intervene through Expanded Public Works Programmes to young people in the province. Chairperson, as prescribed in the Bill, we will ensure that provincial departments report on the implementation of this initiative accurately and timeously to the Presidency.

The fiscal consolidation will be the most difficult but necessary intervention to secure the future of the next generation that is free from unsustainable ado. We have to make the economic recovery plan work. It is the only hope we have for inclusive growth and development in our country. I thank you, Chairperson. We support the Bill.

Mr Y CARRIM: Chairperson, I have been asked to speak on behalf of our province. Firstly, I obviously serve on the committee as well, so it makes it a bit easier to respond to Ms Labuschagne. The first thing to stress is that this certainly is not a rubber stamp. We’ve put many issues before this process in the committee processing of the MTBPS, the Revised Fiscal Framework in particular. Let me make it very clear that it’s not a rubber stamp. We’ve never been a rubber stamp. But obviously, the issues are far more complex than Ms Labuschagne makes out. The interesting thing is that they offer very few if any alternatives – the DA. What Ms Labuschagne said, in fact, is exactly the same issues that were raised by the DA yesterday when we finalised the very report that is the subject of the discussion today. We looked at them. In fact, we agreed with some of them. For example, on the unemployment figures, we agreed. Because people are unable to search for work during Covid-19 lockdown restrictions, the narrow definition is not helpful. We agree. She’s right; the DA is right and nobody disagrees with that. To my knowledge, that is to some extent covered by what Mr Njadu said. Perhaps not as explicitly

as they want – the DA – but we agree with that. That’s not a quibble.

On the Public Sector Wage Bill, again we have addressed that issue in our report. They raised the matter and we asked for responses. Many of us came back and said, firstly, as National Treasury likes to see it, this is a matter not before National Treasury but the Ministry and the Department of Public Service and Administration. They are dealing with it. Secondly, there are public sector wage bargaining processes. Ms Labuschagne and us have passed issues between labour and government. All we can do as we’ve been doing, is stressing to them that they need to negotiate in good faith, in a give-and-take approach where each side makes concessions taking into account Covid-19 circumstances, and the need to manage different needs and interests of different departments and differences of government.

So, we have said to Treasury, look, if the court process is not in favour of government and it supports the union movement, what will you do? We presume you’ll negotiate, failing which the matter will have to come before

Parliament. So, we must respect the very laws we’ve passed. I do not anticipate – not as our committee and not as the majority, at least, in the committee that we will end up being mediator between government and labour. The labour relations dispensation is there for that.

Obviously, National Treasury is not naïve. There must a Plan B in some sense. Hopefully it won’t come to that.

On the fourth matter she raises, it’s not a quarterly briefing by any means. Sorry about that, Chairperson. She’s right and we agree. But the issue is that Parliament does rise. This is the last quarter of the year in early December. We can do so much and no more. Ms Labuschagne, apart from the fact that there has been much done during previous briefings that already cover the issues, there’s a full briefing done. There are the most transparent and open documents that this government have. In fact, it is recognised by world authorities as amongst the top three in the world in respect of its openness and transparency of budget information. Those things help us deal with the matter. Moreover, this is a Medium-Term Budget Policy Statement dealing with the framework. We also have Tax Bills to deal with, all of which we have to

finish before the first week of December. So, we take all that into account.

What we want to finally say, Chairperson, is that this is a joint report. The NA and the NCOP have, in terms of the Money Bills Act, adopt the same report. However, it’s recognised that we made many decisions there in what Mr Njadu said. We have to have our own programme of action not only to hold the Executive to account, but also – ourselves – to account for the decisions we have taken.

Unfortunately, some of the issues raised in the joint report do not belong to the NCOP. We cannot do what the NA does. We are not another NA mark two or brand two. We are a separate and independent House. Our main focus is on the three spheres of government, the interests in particular of the provinces, and also of course, local government.

Finally, we repeat, we are in a very difficult pendulous, parlous situation. This is the first major pandemic and far worse than that in 1918. So, here it is. We must have our differences indeed. That’s what a multiparty democracy is about but ultimately, we all have a common

interest in working together to rescue this country. Let’s do that. Thank you very much.

Question Put: That the Report be adopted.

IN FAVOUR: Eastern Cape, Free State, Gauteng, KwaZulu- Natal, Limpopo, Mpumalanga, Northern Cape, North West.

AGAINST: Western Cape.

Agreed to.

Report accordingly adopted in accordance with section 65 of the Constitution.

The Council adjourned at 14:31