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| **COSATU Submission:**  **South African Reserve Bank**  **Amendment Bill**  **18 November 2020** |
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1. **COSATU Support for State Ownership of the South African Reserve Bank**

COSATU notes the South African Reserve Bank (SARB) Amendment Bill. COSATU welcomes the content of the Bill.

The Federation has believed for many years that the SARB’s current ownership structure is an anomaly and must be rectified. We believe that the ownership of the SARB must be vested with the state.

The functions it performs on behalf of the state and the public at large, namely controlling the nation’s currency, managing inflation and overseeing the banking sector; are of such strategic importance that they must only be performed by a state- owned institution. This is the norm in more than 99% of the world, including Europe, Asia and other industrialised economies.

The SARB’s current ownership structure is an outlier. No convincing justification has ever been articulated as to why it exists or must continue.

COSATU’s long standing call has been reaffirmed not only at COSATU’s national congresses over many years, but more recently at the ANC’s national congress in 2017. In short, state ownership of the SARB is a Tripartite Alliance position which COSATU fully embraces.

1. **COSATU Concerns with the SARB**

COSATU’s concerns with the SARB over many years have centred upon four key points.

First is the private ownership of the SARB.

Second is the SARB’s fixation on managing inflation but ignoring the role it can and must play in protecting jobs and stimulating economic growth.

For years the SARB has maintained an excessively conservative stance with regards to interest rates. Whilst the economy has experienced tepid economic growth and increasing levels of inflation, the SARB has largely refused to ease pressure on consumers and the economy and maintained burdensome interest rates that have choked the economy.

COSATU welcomes the recent change of heart by the SARB to ease pressure on consumers and the economy by slashing interest rates. It should not have taken a pandemic and global lockdown to goad the SARB into action. The Minister of Finance needs to take a much more proactive role in mandating the SARB to tackle inflation and unemployment and support economic growth. All are critical, none should be sacrificed.

Third, COSATU believes that at times the SARB has not maintained a close enough eye on the conduct of banks nor illicit financial outflows. This has come at the expense of workers and the economy as banks have been allowed to fleece consumers with excessive interest rates, collusion, currency manipulation and flagrant abuses of the National Credit Act.

Fourth, the Federation believes that the Ministers of Finance have stifled economic debate within the SARB by appointing only conservative economists as Governors, Deputy Governors and to its Board. There is a need to provide alternative and in particular progressive voices to the SARB Board.

There are currently vacancies that should be utilised to provide such alternative views. This will help to provide a more balanced approach by the SARB to supporting economic growth and job creation.

1. **Way Forward**

COSATU welcomes the tabling of this Bill. It should help to initiate a long overdue debate in Parliament on how to effect state ownership of the SARB.

Several critical questions need to be answered in this regard.

First is the constitutionality of the Bill. The parliamentary legal advisers have indicated that they believe the bill to be unconstitutional in its current format.

The unconstitutional clauses cited by Parliament’s legal advisers deal with expropriation without compensation. Parliament is currently dealing with the Amendment of Section 25 and the Expropriation Bill.

The Bill needs to be amended to ensure it is in line with the Constitution or Parliament needs to be allowed to conclude the current Section 25 and Expropriation Bill processes before proceeding with the Bill in its current format.

There is no point in processing a Bill that will not pass a Constitutional Court challenge.

It is also critical that government indicate how it intends to effect the widespread consensus that the SARB must be owned by the state? This includes what legislative amendments are required? Does this Bill address all necessary legislative amendments? What constitutional amendments, if any are needed?

Government will also need to indicate what other administrative processes would need to be undertaken to transfer ownership to the state and by when?

Government’s silence, contradictory statements from the state and the ruling party and a lack of a clear road map do not help to assuage a process that needs to be handled with the necessary political maturity and sensitivity.

COSATU appreciates that this matter will not be resolved overnight in the Standing Committee. The Federation will avail itself for further engagements with the Standing and Select Committees during this process.

COSATU hopes that its submission will assist the Standing Committee with its critical task in resolving this long outstanding matter and to provide a clear and logical road map to ensure ownership of the SARB lays with the state on behalf of the public.

Thank you.

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