**THURSDAY, 20 MAY 2021**

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

Members of the mini plenary session met on the virtual platform at 16:30.

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

The House Chairperson announced that the virtual mini plenary sitting constituted a meeting of the National Assembly.

**VIRTUAL SITTING RULES**

(Announcement)

The HOUSE CHAIRPERSON (Mr C T Frolick): Hon members, before we proceed, I would like to remind you that the virtual mini plenary is deemed to be in the precinct of Parliament and

constitute a meeting of the National Assembly for debating purposes only. In addition to that Rule of virtual sittings, the Rules of the National Assembly including the Rules of debate shall apply. Members enjoy the same powers and privileges that apply in the sitting of the National Assembly. Members should equally note that anything said in the virtual platform is deemed to have been said to the House and may be ruled upon.

All members who have logged in shall be considered to be present and are requested to mute their microphones and only unmute it when recognized to speak. This is because these microphones are very sensitive and will pick up noise which might disturb the attention of other members. When recognised to speak, please unmute your microphone and connect your video. Members may make use of the icons on the bar at the bottom of their screens which has an option that allows a member to put his or her hand to raise a point of order. The Secretariat will assist in alerting the Chairperson to members requesting to speak.

When using the virtual system, members are urged to refrain or desist from unnecessary points of order or interjections. We

shall now proceed to the order which is debate on Vote 08 – National Treasury Appropriation Bill. I now recognize the Minister of Finances.

**APPROPRIATION BILL**

Budget Vote 8 – National Treasury:

The MINISTER OF FINANCE: House Chairperson, thank you very much for the opportunity to be in the House, to present Budget Vote 8 – National Treasury. I recognize all hon members, in particular, the chairperson of Standing Committee of Finance, hon Maswanganyi, I also recognise the other members of the committee members, who work tirelessly to ensure that we arrive at this point. Hon members, thank you for this opportunity once again to be in this mini plenary sitting on the Budget Vote of the National Treasury. We have titled our intervention this afternoon as: “the Pillar of the State – The National Treasury.”

It has been, as we all know, a very eventful year so far in the life of our country and across the globe since the last Budget Vote debate. South Africa, like the rest of the world,

has had to deal with the human cost and massive economic disruption caused by COVID-19. This year, a significant and promising economic recovery is taking place, especially as we begin a real serious programme of vaccine rollout in our country. Like many African countries, South Africa has the opportunity to benefit from the combined effect of a faster global economic recovery, higher commodity prices and global monetary conditions. We should not lose focus on achieving strong and sustainable economic growth. Therefore, taking this opportunity will depend on our ability to implement in a very serious way domestic economic reforms. At the same time, there are many risks to the outlook including the ongoing COVID-19 pandemic, uncertainty about the sustainability of emerging market debt in a period of rising global interest rates, and our domestic electricity constraints. It is very important to bear in mind, hon members, because whilst we see some green shoots on the horizon, we should also bear in mind the risks which are inherent to the system.

This is Budget Vote 8 – National Treasury, I thought it important to remind all of us what the purposes and functions the National Treasury are. In this regard, the National Treasury’s legislative mandate is based on section 216(1) of

the Constitution, which states and give tasks to the National Treasury to ensure transparency and accountability in management of South Africa’s finances. This role is further elaborated upon in the Public Finance Management Act, PFMA. The department is mandated to: Promote national government’s fiscal policy and the co-ordination of macroeconomic policy – and I want to emphasize this because it is sometimes misunderstood, the co-ordination of macroeconomic policy for the National Treasury is in the law, and as such, all government departments need to work together with the National Treasury in the co-ordination of macroeconomic policy, there is no other institution in the Republic which is given that responsibility - ensure the stability and soundness of the financial system and financial services; co-ordinate intergovernmental financial and fiscal relations; manage the budget process; and enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities, public entities, and constitutional institutions.

The main agencies in this Budget Vote are the National Treasury as a department, the South African Revenue Services, Sars, the Financial Intelligence Centre, FIC, and the State Security Agency, SSA. Many members might not know that the

budget controls for the SA State Security Agency is within the National Treasury. Collectively, they will receive

R41,1 billion in 2021-22 for their own operations. A large portion of the Vote allocation is dedicated to transfers to provincial governments for the provincial equitable share.

The department has the following increases to its baseline: R7 billion over the Medium-Term Strategic Framework, MTEF, period to stabilise the Land Bank’s financial position;

R1 billion in 2021-22 for the improvement of information and communication technology, ICT, systems and capacity building at the Sars; and R191,1 million over the MTEF period to partially support the operations of the Infrastructure Fund.

This budget will be committed to the National Economic Reconstruction and Recovery Plan, including by supporting vital economic reform programmes, and advancing the transformation of our economy.

In addition, we continue to work to relieve the devastating effects of the COVID-19 situation. Active measures are being implemented to realign the composition of our spending from consumption towards investment, and support efforts to lower

the cost of capital through Operation Vulindlela which the Deputy Minister is going to talk about.

The International Monetary Fund in its April World Economic Outlook, has forecast global growth to be around ...

The HOUSE CHAIRPERSON (Mr C T FROLICK): Our apologies for that, hon Minister. There is a member from the EFF, hon Nontando Nolutshungu has her microphone on. Please switch off the microphone. You may proceed, hon Minister.

The MINISTER OF FINANCE: Before I was rudely interrupted, House Chair, I was saying that the World Economic Outlook in April, forecast that the global economy will grow by some 6,0% with a major impetus coming from China and India at the time, but now with the state in which India is in, we are a bit concerned. The South African Outlook has also improved. South Africa’s gross domestic product, GDP, rose by 6,3% in the fourth quarter of 2020 on a quarter-on-quarter seasonally adjusted and annualised basis after expanding by 67,3% in the third quarter, upwardly revised from 66,1%. However, with our recovery lagging other comparable countries and without faster

growth, South Africa is unlikely to reach 2019 output levels before 2023.

Despite the nascent recovery, the pandemic and subsequent lockdown which have worsened the already dire unemployment situation, the unemployment rate as we know, has grown to a record high of some 32,5%, that is a narrow definition. The expanded definition is much higher and we should all remain concerned about this state of affairs. On the positive side, inflation remains fairly under control within the 6% to 3% range as determined for the inflation targeting framework. I notice that today the Central Bank unanimously through its monetary policy committee decided to keep interest rates unchanged. I am not allowed to say anything further about that, in case I am seen as ruling from the grave, which I have no intention of doing.

Rising global commodities are a major support for us and this has seen the exchange rate the rand appreciate very strongly, up by 4,2% year to date to around R14,00 to the US dollar on 14 May 2021.

The South African government continues to pursue a balanced and prudent fiscal strategy. This fiscal strategy has a framework and that fiscal framework was presented in the House. We have no intention whatsoever of breaking this fiscal framework. As I have said before, the fiscal framework is sacrosanct. We can’t break it. Whatever challenges we might face and new resources we might need for one action or the other, that has to be within the fiscal framework. The fiscal framework is unchangeable for now.

House Chair, I submit that there are a number of challenges which face the National Treasury. With a committed team that is there within the National Treasury, led by Director-General Dondo Mogajane, I am quite convinced that they’ll continue to meet their obligations. With these few words, House Chair, I would like to thank you for giving me the opportunity to say them and I very much look forward to the debate and thanks very much Baba Maswanganyi his team for the support that they always give to us. I will be listening carefully and I will respond later. Thank you very much indeed.

*Xitsonga:*

Tat MASWANGANYI: Mutshamaxitulu muchaviseki Frolick, swirho swa Huvo yo Endla Milawu ya Riphabiliki ra Afrika-Dzonga, Holobye Mboweni, Swandla swa Vaholobye leswi nga kona, Dok Masondo ...

*English:*

... and other Deputy Ministers, the standing committee, having considered the National Treasury and the SA Revenue Service annual performance plans 2021-2022 reports as follows. The Minister of Finance tabled the annual performance plans of the National Treasury, SA Revenue Service, Sars, and other entities in the Finance portfolio in line with section 10 subsection 1(1) of the Money Bills Amendment procedure and Related Matters Act, Act 9 of 2009, Money Bills Act for consideration and report.

Chairperson, we present this report while there is still high uncertainty in the global economy due to COVID-19. The International Monetary Fund, IMF, global economic outlook of last month shows that there are contraction was unpreceded. As the Minister has already alluded to that the global economy is expected to grow by 6% in 2021 and moderate at 4,4% in 2022.

The World Economic Outlook for April shows that loses have

been particularly large for countries that rely on tourism and commodity exports. We are still not out of the woods as yet with the pandemic with talks of the third wave. The third wave we are told would be a major risk to the global economy. We only have to look at what is happening in Brazil and India, which are South Africa’s partners. Therefore, there is still very high uncertainty that surrounds the globe.

Closer home, in Zimbabwe after facing economic crisis exacerbated by COVID-19 pandemic, Zimbabwe’s economy is set to rebound by 2,9% supported by the recovery of agriculture and due to base effects. This is good news for South Africa as Zimbabwe is our immediate neighbour and our economies are almost integrated.

Coming home, the Minister of Finance, Minister Mboweni, briefed the committee that currently South Africa have an advantage of a stable interest rates and low inflation. He said that the economy has slightly improved over the past six months and this momentum is expected to continue.

A continued stable dollar-rand exchange is expected and this is good for imports of the country. In the contrary it is

argued that this situation is not good for a dollar-based revenue such as the export of minerals.

A notable challenge for government remain an illicit economic activity. Government should continue to come up with measures that will mitigate against challenges of job losses the Minister has already spoken about the problem of unemployment which is rising, rising poverty and inequality.

Overview of the National Treasury budget and programmes. A total of R41 billion will be allocated to Treasury in 2021-22. There are programmes that constitute that R41 billion where Programme 1, administration is allocated R530,7 million; Programme 2, economic policy financial regulation and research is allocated R153,8 million; Programme 3, public finance and budget management, is allocated R3,9 billion; Programme 4, assets and liability management, is allocated R5,1 billion; Programme 5, financial accounting and supply chain management, is allocated R1,082 billion; Programme 6, international financial relations, is allocated R7,2 billion; Programme 7, civil and military pensions contributions, is allocated

R6,4 billion; Programme 8, revenue administration

R11,2 billion; and Programme 9, financial intelligence and

state security, is allocated R5,2 billion. The total is R41,055 billion.

In its observations and recommendation, the committee notes the annual performance plans for the National Treasury and Sars and notes their key priorities. In this regards the committee notes the assurances made during its deliberations on the National Treasury’s performance plan that government has set aside R4,35 billion in vaccination funding with possibilities to argument this if a need arises. The committee believes that for the vaccine strategy to work, government will need to expedite the testing and approval of other credible vaccines instead of relying only on two current vaccines as provided for now. We believe that the scope should be broaden to bring other players in thjis fraternity.

The committee notes that besides the Money Bills Finance plans to table a number of ordinary Bills for processing by Parliament during this year and over The Medium Term Expenditure Framework, MTEF. These Bills include FIC Act, the FAIS Act, SA Reserve Bank Act, Sars Act, Co=operative Banks Act and many others. The committee requires that the National Treasury to give it a more workable legislative programme for

the year to enable the committee to plan accordingly. The committee notes that the Public Procurement Bill will finally be tabled within this financial year but only in December 2021. The committee believes that this Bill will assist in consolidating the fragments procurement regime in government. The committee again urges the National Treasury to prioritise this Bill. The committee notes notes the plan by the National Treasury on the implementation of the IMFS 2 project. This project incurred fruitless and wasteful expenditure of

R267 million since 2016-17 including R67 million in 2019-20 alone. The committee will schedule a briefing session soon in order to receive an update on the status of this project and its timeline for completion.

Also the committee notes that there are processes within Treasury to implement controls and improve audit outcomes through the audit action plan. We note that the committee of senior National Treasury to implement this plan in co- operation with the Auditor-General has been establish. The committee believes that the audit action plan should form part of the annual performance plan with measurable targets and outcomes and urges the National Treasury to consider this. The committee notes the progress on the filling of critical

vacancies on the department. Another contributing root as highlighted by the Auditor-General which is causing instability is the problem of vacancies. In this regard the committee urges the Minister of Finance to prioritise the filling of vacancies and acting positions at management level at National Treasury and other entities that report to him.

The committee welcomes the National Treasury plans to include operation Vulindlela in its annual performance plan from the next financial year going forward. The committee notes that G- Tech has now matured into a fully-fledged programme with a separate planning and reporting processes instead of being a subprogramme. The committee will invite G-Tech in the next quarter in order to learn more about these plans. This programme is very important as many municipalities are facing very serious challenges to such an extent that courts have ruled in many instances that the Minister of Finance and the Minister of Co-operative Governance and Traditional Affairs should take over the running of those municipalities and this does not auger well for co-operative governance.

The committee notes that one of the targets under Programme 3 is to identify and approve 20 catalytic projects in spatial

targeted areas. The committee expects to be briefed on this project and its expected impact on service delivery, growth and development.

We further note the National Treasury’s progress on the establishment of a state bank. The committee is concerned that there seem to be no tangible progress that has been made in this regard as it receives the same updates this time last year. The committee urges the Minister of Finance to expedite this process of establishing a state bank. It also urges the National Treasury to put pressure on the National Economic Development and Labour Council, Nedlac, to put back on its agenda of the financial sector transformation summit which was promised several years ago. The inclusion of blacks in the mainstream of the financial sector is fundamental.

The committee notes progress at Sars and welcome the additional revenue of R38 billion that was collected by Sars in the previous financial year despite difficulties caused by the COVID-19 pandemic which underpinned the economy. The committee welcomes the uplifting of the freeze on the filling of vacancies at Sars and its recruitment drive to fill 300 vacancies and its graduate programme.

The committee is aware that South Africa is one of the few countries that are already collecting value-added tax, VAT,from the digital economy, and again commend this. The committee recommends that while the National Treasury participates in the Organisation for Economic Co-operation and Development, OECD, it should also work in collaboration with the African Tax Administration Forum and the African Union in order to strengthen the interest of the developing countries in the global digital tax.

In conclusion, we as the committee, commend the Minister, Deputy Minister, director-general, the entire administration of the Treasury and their entities for providing leadership in the financial portfolio. We also want to thank the parliamentary support team, the secretariat, research team, and the entire support team for assisting us to do this work. The committee on Finance accept the budget of Vote 8: National Treasury. Chairperson, I therefore, move for its adoption.

*Tsonga*:

Ndza khensa. Inkomu!

Mr G G HILL-LEWIS: House Chairperson, among all of the daily noise in South Africa, we have to keep focused on what matters, what matters is that our economy is not growing and it cannot grow. This is trapping 30 million people in poverty,

11 million people out of work with all of their daily lives focused on the battle for survival.

When families are struggling to survive, they cannot make use of any opportunities because, at the most basic level, they have no time to think about anything else, but where the next meal is coming from or how the children will be cared for. As more people go back into poverty, our country becomes angrier and we move further away from achieving our dream of a common society.

Rapid economic growth is the only way out of this spiral. We must grow our economy much, much faster every year, for years and years to come. If we do not, our society is not sustainable. It is as simple and as serious as that. This is our national mission. This is the one thing that should unite every one of us in this House to do whatever it takes to grow the economy faster.

Now, what is the role of the National Treasury in this and how is it faring on that score? There are some points of bright light. The SA Revenue Service, Sars, is slowly rebuilding itself as has been said, and is restoring integrity to that institution and is delivering impressive revenue results. In general, team Treasury is excellent professionals of the highest capability and with the right intentions.

And we have a Minister who understands what needs to happen and is genuinely committed to making it happen. I thank team Sars and team Treasury for their hard work. They make us all proud, but I'd like to hone in on policy, in particular, the National Treasury should play a crucial policy role as the custodian and co-ordinator of economic policy across government.

On that score, it must be said it is failing to focus the government on a growth agenda. The Treasury simply does not run economic policy in South Africa as it should. Too often it is too cautious, retiring and is happy to cede the space in the policy debate to the many adherence of voodoo economics in the ANC and the DTI in particular.

Every key economic reform in our country is stillborn or long- stalled. The Ministers, openly contradict policy reforms that no less a person than the President himself has committed his government to. The Minister of Energy, for example, is now the country's biggest handbrake on economic growth. He's flagrantly ignoring and contradicting the policy reforms that the President has committed to and which this National Treasury had budgeted for.

How is it that one incompetent Minister with bad ideas can be allowed to hold back an entire country? And no one in the government is brave enough to say so. The treasury has long argued that we cannot carry on bailing out failing state companies, particularly when they are not even delivering yet this year's Budget contains a capitulation of bailouts - That's my new collective noun for bailouts - for SA Airways, SAA, Eskom and the Land Bank.

And finally, the Minister promised to get debts under control by cutting the government wage bill. But his colleagues are unstitched that with offers of a cash bonus of R978 per month for every state employee. South Africans must be wondering what this cash bonus could be for when their own experience of

service delivery from the national government is at an all- time low.

Just last month, more than 6 million, the very poorest and most vulnerable of all were told that the government simply could not afford to continue paying them the R350 a month COVID-19 grants. Imagine how those South Africans must feel seeing that the same government is now offering nearly triple that amount monthly to every civil servant.

What a disgrace that is. The President is known for vacillation, but he did himself when he ruled out privatisation of harbours in an answer to a question from the Leader of the Opposition during question time last week. I could hear the collective groan of despair from the National Treasury even from Cape Town.

What exactly is the President afraid of? Is he afraid that our ports and harbours will end up being worse run than they are now? That's not possible. We have some of the most expensive, most inefficient harbours in the world. Everyone in the government knows there's no money to fix the harbours.

And even if there was, we don't have the capacity in the state to get it done. It's just that no one in government is brave enough to say it. Finally, only lunatics still argue that the size of the government's debt is not an existential threat to South Africa. Unfortunately, there is no shortage of loons in the ANC arguing exactly that, that deficits don't matter and that we can just print cash and spend as much as we want. And we continue in this ridiculous farce. The Treasury must preach growth while swallowing policies it knows will fail and must even for the sake of appearances propose some of its own mad hatter’s ideas like a state bank, all in service of some torturous government unity that everyone knows doesn't exist.

Anyway, no one is brave enough to say it. This government is a hot mess and there is no hotter mess than the complete lack of a policy core to guide it. The Treasury must fill this vacuum with more aggression and determination. As always, we will be there to help where we can. That's why we've tabled the Fiscal Responsibility Bill, which is being considered in committee this week.

The Bill will limit all governments, present and future, from taking on more government debt than can be sustained by our

economic growth. It is a sensible, helping hand to the Treasury's efforts to get that under control. And for that reason, I look forward to their support for my Bill next week. Thank you, Chair.

Mr N F SHIVAMBU: Chair, we as the EFF reject the proposed budget for National Treasure with contempt. The National Treasury continues to be a useful instrument for the protection and continuation of the unequal power relations in the economy.

The National Treasury continues to be a puppet of the neoliberal and new colonial control by the international financial institutions, and now the rating agencies. Despite many commitments, the state bank and the sovereign wealth fund are still not created and there's no known plan to do so.

Despite the public relations exercises, the National Treasury and the government as a whole are still failing to use fiscal and monetary policy to drive labour absorptive and localised industrialisation.

Despite various commitments, the National Treasury is failing to use its procurement power to drive localisation and the

National Treasury has not said anything when a group of capitalists openly opposed localisation. As you argued during the Sona, there will never be any meaningful economic expansion except through industrial development. The current Minister of Finance has failed to provide any believable, practical or implementable plan to speak of that can be trusted to lead any economic recovery. This is evident by the continued decline of the economy even before COVID-19. Of the five quarters, the Minister was in charge, all except one experienced an increase.

The last three quarters are by no means an indication of economic recovery. Instead, it is simply the opening of shops after the mismanaged lockdown imposed without a clear economic and relief plan besides the imaginary R500 billion COVID-19 relief fund that was never there. The true reflection of the state of affairs and pace of economic recovery is most demonstrated by the joblessness in the economy. When the Minister took over, more than 16,5 million people were employed, today, more than 1,5 million have lost their jobs and there's no response to this catastrophe. Instead, the National Treasury continues to be misguided in its approach to economic recovery.

And this was aptly demonstrated by the so-called Budget speech that spoke of securing the economy post-COVID-19 when it is evident that there is no post-COVID-19 ... [Inaudible.] ... without vaccines.

There's no additional money that was allocated for vaccines or to provide public health care in South Africa. Instead, the whole of Treasury is preoccupied with austerity budgets despite scientific evidence that it has never worked anywhere in the world, over and above the mismanagement of the economy. The Treasury is even failing to manage the bare minimum of responsibility given to it by the Constitution.

The levels of fruitless wasteful and irregular expenditure continue to increase in all spheres and levels of the government, including irregular and wasteful expenditure by the National Treasury itself. All indications are that no one is taking the Treasury seriously anymore.

They failed to manage the wasteful and corrupt expenditure on personal protective equipment, PPEs. The Treasury had previously rejected a proposal by South32 in terms of the increase of prices of coal in one of the coal power stations

that the National Treasury must give approval for. But because of South32’s connections to the President and the ruling party, such has now been approved despite the fact that Eskom has got no money to do so. All the entities under the supervision of the National Treasury are in crisis. The Public Investment Corporation, PIC doesn't have a stable board, clear management, clear direction of what should happen. And this is despite the fact that there is legislative guidance that was given to the PIC in terms of the priority areas that it must focus on. And to say that it must stop politicising its asset management responsibilities, as a result, the workers are going to continue losing billions of rand because of the management of assets that has got a political interest in it. The chairperson of the PIC board is involved in deals that involve the PIC.

We have raised it several times and the Minister of Finance is turning a blind eye to that. He's now even appointed to be the chairperson of one of the banks that are controlled by the Stellenbosch mafia and the Minister of Finance is not doing anything despite the conflictual relationship that exists between the PIC and the private bank. The SA Revenue Service

is not doing anything about tax avoidance, transfer pricing, and illicit financial flows.

Instead, Sars is being used to fight political opponents and we will soon expose all the role players that are involved in trying to misguide the direction of the revenue collector. The Financial Conduct Authority is micromanaged. by advisors and advisory bodies. There's no clarity in terms of what will be the role of the recently appointed commissioner because there are those who are presiding over that. The Land Bank has currently been given money for a bailout, but there's no clarity in terms of how it is going to manage the economy. We have said several times, it's more than three years now, where there was a commitment to the creation of a state bank. It is not there, there is no believable and clear plan in terms of what happens. We must perhaps continue to give direction through legislative amendments that we have given in terms of the SA Reserve Bank because politically all the black political parties agreed that we should remove the private shareholders in the SA Reserve Bank.

We should perhaps take a lead in the creation of the state bank by introducing the State-Owned Bank Bill, which will then

define how the state bank is going to operate because it is clear that those that are managing the National Treasury are failing to do so. We will, again, re-table the Anti-Tax Avoidance Bill to then deal with illicit financial flows and tax avoidance that characterised the multinational corporations.

We will table the Sovereign Wealth Fund Bill, which will establish a sovereign wealth fund so that in times of difficulties we are able to manage that. But in all honesty, we must all admit that the National Treasury under its current leadership is failing to guide South Africa's economy towards sustainable and impactful, labour absorptive growth.

And we cannot continue on that path because our people will continue to lose jobs. They will continue to be hopeless and do not know who to run to. The EFF is yet to provide leadership, including on there a much more meaningful allocation of resources to the local state because the local state continues to be given less than 10% of the overall revenue of the state despite it being the coalface of service delivery in South Africa. Chairperson, we reject this Budget

Vote with contempt and will vote against it when the time for voting arrives. Thanks very much.

Mr M HLENGWA: Hon Chairperson, may I proceed? Hon Buthelezi is

...

*IsiZulu*:

... Mkhuleko Hlengwa.

*English*:

The HOUSE CHAIRPERSON (Mr C T FROLICK): Please, proceed, hon member.

Mr M HLENGWA: Hon Chairperson, for a second time in a row, we are meeting under difficult circumstances, as a result of the global health emergency caused by the covid-19 pandemic. The pandemic has shown us the importance of the national purse in protecting the nation through availing funds for the procurement of vaccines and closing the socioeconomic gap created by the pandemic.

The efforts of the National Treasury have helped to protect socioeconomic issues through the funding of emergency

programmes, notwithstanding the corruption that has taken place in that regard.

Despite our immediate health challenges, broad about by covid- 19, the nation must move on. We note and I appreciate the willingness of the department through its proposed budget to review the tax policy, support economically integrated cities and communities, develop infrastructure and make government procurement more efficient and inclusive. We also note that this department seeks to facilitate international and regional co-operation.

The IFP has always made its position known that inclusive growth and reindustrialisation depend on lowering taxes to decrease the costs of doing business and to make our country appealing to foreign direct investment.

We reiterate that economic growth will come from inclusive policies and strategies and that it will not come from overly taxing our people and businesses.

While noting that the proposed review of the tax policy seeks to illuminate tax loopholes, the IFP does not believe that our

budget shortfalls will be met by increasing taxes year in and year out. Instead, the IFP believes that lower taxes will drive economic growth, but only when utilised appropriately and not squandered. In this regard, the department must do its part under the Constitution.

As the engine that drives our economy and funds public programmes, this department must thrive in order to fulfil its mandate as per section 2161 of the Constitution. It must ensure transparency, accountability and sound financial controls in the management of South Africa’s public finances.

However, it appears that National Treasury has fallen short of this obligation, as illustrated by the squandering of covid-19 emergency funds. National Treasury must be vigilant to ensure that our hard-earned taxes do not fall into the hands of opportunists who have no regard for the national interests and the plight of our people.

The IFP believes that at the heart of this department’s budget should be an unwavering commitment to creating opportunities for the youth, most of whom are unemployed. National Treasury must take their plight into consideration and build and

maintain an economic policy that ensures that the youth of South Africa are taken care of in the economy and are given opportunities to thrive.

National Treasury must support the state-owned entities to deliver on their mandate and must not throw financial solutions to nonfinancial problems. We call on National Treasury to promote economic growth, social development and reduce poverty through proper location of funds to government departments and efficient oversight of the national purse.

It is important for National Treasury to walk to its talk and to be an exemplary in its financial management, so that they themselves are not found wanting and they become the benchmark of sound financial management. Thank you.

Mr W W WESSELS: Hon House Chairperson, in a time of financial hardship, sound financial management is more necessary than ever. National Treasury should be the bastion of fiscal responsibility and sound financial management, but it does not always comply with laws and regulations, and it does not set a good example to other government departments and other spheres of government.

According to the Auditor-General, management of National Treasury does not respond with the required urgency in addressing identified risks and improving internal controls. That is why the National Treasury incurred more than R249 million in irregular expenditure in the previous financial year. It also incurred more than R267 million in fruitless and wasteful expenditure, due to the delayed implementation of the integrated financial management system. Minister, this must be addressed.

We also need the Public Procurement Bill to be prioritised. This is long overdue and each year, we hear that it will be tabled soon. This must be done. We need to include that all tenders and contracts should be published, so that there is transparency in all spheres of government.

*Afrikaans*:

Goeie finansiële bestuur sou die huidige finansiële krisis verhoed het. Beleidsekerheid sou die ekonomiese resessie gekeer het. Daar moet van gevalde beleidsrigtings ontslae geraak word.

Privatiseer mislukte openbare entiteite en hou op om belastingbetalers se geld op hierdie mislukkings te mors. Los goed soos ’n staatsbank, voordat dit nog begin word. Moenie waardevolle tyd en geld op ’n ideologiese behepdheid mors, wat nie in belang van Suid-Afrika sal wees nie.

*English*:

National Treasury has an impossible task to curb debt and to actually ensure that we do not drift further over the financial or fiscal cliff. Their task is made impossible by failed ANC policies and made impossible by other government departments appointing incompetent officials wasting money and failing to curb the wage bill. It is made impossible by the continued tender corruption.

The only way to save this sinking ship is economic growth. Let us leave ideology and let us work together to create an environment where economic growth can occur, which is conducive for the private sector to invest and create jobs.

Let us give tax relief to do this. Let us restore confidence in public procurement and let us then create those opportunities that is necessary to have this country restored

to where it should be. Let us create a prosperous future. I thank you.

The DEPUTY MINISTER OF FINANCE: Hon House Chairperson, chairperson of Standing Committee of Finance, hon Maswanganyi, and the committee members, hon Members of Parliament, the Minister has spoken at length about the steps we are taking to restore the sustainability of the public finances as we recover from the pandemic. Fiscal sustainability is an important part of economic growth.

The National Treasury, in collaboration with the Presidency, has been facilitating the implementation of Operation Vulindlela, OV, since September last year. Our aim is to contribute towards raising the level of economic growth through expediting the implementation of key structural reforms in the network industries of electricity, freight transport, digital communications, and water, as well as visas for skills and tourism.

Operation Vulindlela is not about developing new plans or identifying new reforms. It is about implementing reforms that

we have already agreed upon. These structural reforms are implemented by line function departments and their entities.

If there are disagreements between ourselves, as Operation Vulindlela, and reform implementers on how these reforms should be implemented, these get escalated to the cluster, Cabinet, or the President for resolution. Reforms in the electricity sector are urgent because reliable and affordable supply of electricity is critical for our economic growth and recovery path.

The Departments of Public Enterprises and Mineral Resources and Energy have made much progress with the implementation of reforms in this sector, such as the restructuring of Eskom, the issuing of bid window 5 for the procurement of more power from independent power producers, and the procurement process for emergency power.

As I said, the shortage of electricity is the single biggest threat to our economic recovery, apart from Covid-19. We are engaging with the relevant departments regarding further measures which could be taken to bring more power into the system as quickly as possible.

The recent measures undertaken by government to bring additional energy into the system, include: The recent gazetting for public comment of a draft amended Schedule 2 to the Electricity Regulation Act; and raising the licensing threshold for embedded generation from 1 megawatt, MW, to

10 megawatts.

Research indicates that the current requirement for a NERSA license for plant larger than 1 megawatt is a deterrent to investment because the licensing process is too complex, lengthy, and expensive for these relatively small investments. The licensing process cannot be simplified or streamlined quickly because most of its steps are required by legislation.

There has been some policy discussions and debates regarding this reform within government, with the benefits of increasing the available supply of power by allowing the private sector to invest more freely in its own generation being weighed against concerns about the impact of the reform on municipal finances and on the stability of municipal distribution networks and the readiness of Eskom and municipalities to manage a large number of new connections of small generators.

Operation Vulindlela has been working to resolve this policy discussion and I believe we are close to a resolution.

We have also been prioritising reforms in the freight transport sector, given its key role in our economy.

In 2020, the World Bank ranked 351 ports internationally in the Container Port Performance Index publication. We are concerned that our major container ports were ranked in the last 5. The poor performance of our container port terminals has a major impact on the competitiveness of our exports and the cost of our imports. It also has major implications for our manufacturers’ input costs.

I recently visited a local fibre cable manufacturing company and I was shown the large extra volume of input materials they have to keep in stock, due to the unreliability of our container ports. This must change and it will. To be globally competitive, companies operate on the just-in-time principles in which all inputs are supposed to arrive on time for production of goods.

I am glad that the Department of Public Enterprises and Transnet are working hard to address corruption and state capture. These factors are the leading cause of poor port performance. Some progress has been made in improving operations at our ports since the World Bank study was carried out, particularly at the Durban port, but there is still a long way to go to make our container ports internationally competitive.

The provision in the National Ports Act of 2005 for the corporatisation of the Transnet National Ports Authority was aimed at providing it with a degree of independence to enable it to treat all port operators equally and to invest its profits in the ports.

However, there has also been policy contention within government regarding implementation of this structural reform, with the potential benefits in terms of port competitiveness being weighed up against the financial risks to Transnet.

Together with the Department of Public Enterprises, Operation Vulindlela has been carrying out research on the implications and advantages and disadvantages of this structural reform,

with a view to assisting Cabinet to reach a decision on this matter as soon as possible.

In the water sector, the Department of Water and Sanitation is implementing a range of structural reforms aimed at improving regulation of the sector, improving the management of national water assets. The work we are doing will facilitate greater private sector participation in the financing and management of national water infrastructure. The key challenge in implementing these reforms has been a lack of technical capacity in the Department and Water and Sanitation.

Operation Vulindlela has therefore facilitated technical support in the form of business process reengineering expertise to the department to assist it to redesign its water-use licensing processes to make them more efficient and effective. We have also facilitated financial and legal expertise to the department to assist it to develop the business plan and Bill for the establishment of the national Water Resource Infrastructure Agency.

In the digital communications sector, we are focusing on reforms aimed at reducing the cost and increasing the quality

of digital communications. These include the auction of additional spectrum by ICASA and the migration from analogue to digital TV.

Unfortunately, the spectrum auction has been put on hold due to legal challenges, but we are hopeful that an out-of-court settlement may be reached to enable the auction to proceed. One of the issues raised in the legal challenges is the lack of completion of the analogue to digital migration process, and Operation Vulindlela has been working closely with the Department of Communications and Digital Technology to expedite this process.

To address the short-term scarcity of skills for economy growth, we have been focusing on reforms to the work permit system to enable South African businesses to import skills which are not available in South Africa, and to successfully compete internationally to attract such skills.

Working together with the Departments of Home Affairs, Labour, and Trade and Industry and Competition, Operation Vulindlela has started a comprehensive review of the processes for issuing work permits, with the aim of identifying possible

improvements while still protecting employment opportunities for skilled South Africans.

In summary, significant progress has been achieved by Operation Vulindlela. Detailed work is continuing on the reforms. These reforms are complex and obviously cannot be implemented overnight. They must be implemented with due care, diligence, and thorough consultation to avoid negative unintended consequences.

I would like to take this opportunity to thank the Ministers, Deputy Ministers and directors-General of the various reform implementing departments for their collaboration in implementing Operation Vulindlela.

I would also like to thank Business for South Africa, Business Unity South Africa, and Business Leadership South Africa for facilitating technical expertise to support the implementation of some of the reforms.

In addition, I would like to thank the range of industry associations that we have been meeting with, which has enabled us to understand the challenges being experienced and the

reforms required to address them. Operation Vulindlela is truly an example of our election manifesto commitment of, “Working together, we can do more!”

House Chairperson, one of the 2021 government priorities as articulated by President Ramaphosa, in the state of the nation address, Sona, was fighting corruption and crime. The finance family is central to the country's fight against crime.

Financial crimes, if left unaddressed, can seriously undermine the country’s developmental path. Our approach as the finance family to improve financial information sharing with law enforcement agencies is bearing fruit.

In 2019, the Financial Intelligence centre worked establish the South African Anti-Money Laundering Integrated Task Force, Sam-Lit, and a Fusion Centre specifically focused on uncovering abuses related to government’s COVID-19 response.

Sam-Lit is a financial information sharing partnership led by the FIC and made up of 22 national and international banks, banking associations and the regulatory authorities.

The Fusion Centre was able to recover an amount of approximately R600 million which were the proceeds of crime.

This was done working by undertaking nearly 200 actions in strong collaboration with our law enforcement agencies. Sam- Lit members assisted the FIC to prepare and disseminate more than 3 200 high-quality financial intelligence report.

Additional of the successes of the Fusion Centre are:

37 accused persons are appearing in 22 criminal cases in courts across the country; using its powers, the FIC has frozen 90 suspicious and untoward bank accounts which had R178 million in them; using its powers, the FIC has frozen cash in bank accounts, that had proceeds of crime, to the

value of R187 million; R123 million was preserved by the Asset Forfeiture Unit; Special Investigating Unit has to date enrolled cases in the Special Tribunal to the value of R289million and has to date recovered and saved R124 million involving supply chain irregularities; SA Revenue Services, Sars, recovered R248 million in taxes using their empowering legislation in the last financial year; more than 58 referrals were sent to various departments for disciplinary actions to be instituted against employees involved in financial misconduct and irregularities; and in total approximately R600 million has been recovered by the Fusion Centre and placed into the fiscus.

Hon Chair and hon members, we thank you for the valuable contributions you have made in this debate on Budget Vote 8, and for the continued support to the Ministry of Finance, the National Treasury and our entities. Together, we are taking the reform process forward and we are glad to have you partner us in the reconstruction and recovery of our country. I thank you.

Mr S N SWART: House Chair, the ACDP welcomes the recovery at Sars and commends it on collecting the additional R38 billion. However, this achievement was largely cancelled out by government expenditure far exceeding revenue. We see that with the fact that although the national budget deficit was now R553 billion lower than the estimated R603 billion, the fiscus situation is still extremely weak with the public debt being close to R4 trillion and projected to increase to R5,2 trillion by 2023-24 with debt service costs escalating and crowding out much needed other expenditure. The solution, as indicated by other speakers and by the Minister, is in clearly stimulated economic growth and investment to create jobs and boost revenue collection, as well as in decisively dealing with corruption, wasteful and irregular expenditure. The ACDP

welcomes the announcements by the Deputy Minister in this regard.

Collecting stolen state funds wherever they might be must be a priority. While millions are being collected, we believe that trillions can still be collected. So, we welcome the recent announcement concerning the financial intelligence centre and the fact that Sars and the National Prosecuting Authority will be working closer together. As all members know, law enforcement agencies have wide powers to freeze bank accounts and assets worldwide. All official intelligence applications which are used in the private sector can be used by the public sector as well to trace suspicious transfers from bank to bank, as well as from country to country. It is also possible to apply without notice for an order freezing the proceeds of a bank in the bank accounts of the [Inaudible.] funds, even if those bank accounts are located offshore. Foreign courts are happy to assist in upholding the rule of law, and banks normally do not resist these freezing orders for fear of being labelled co-conspirators with the criminals and losing their license. We from the ACDP’s side would urge you, hon Minister, to pursue this with greater vigour.

Lastly, it seems that the Public Procurement Bill might finally be tabled only in December 2021. We regret the delay in its tabling as it will also go a long way to root out corruption within the procurement system. It is urgent that it is finalised soon given that the committee has been asking about its progress over a number of years.

The ACDP will conclude with thanking the Minister and members of the department and Sars for all their hard work and commitment during this very difficult time. I thank you.

*IsiXhosa:*

Nks P N ABRAHAM: Sihlalo weNdlu, ndikhwela kwimibuliso kuSihlalo wam weKomiti yeMicimbi yeSebe yezeziMali ukonga ixesha.

*English:*

As the ANC we convey our heartfelt condolences on the passing of Member of Parliament Tongwane who succumbed to Covid-19 yesterday. May her soul rest in peace. May her family be consoled by the fact that resurrection is promised.

The approach of the ANC in assessing the National Treasury Budget Vote remains focused on the purpose of the voted funds. We are assessing the allocation of the funds against the mandate and the performance indicators of the National Treasury. In our assessment, hon Chairperson, we remain positive that both the mandate and performance as measured against the indicators in the Vote reflect that Treasury is both managing and responding to the economic conditions that face the nation. The evidence of our positive response to the Budget Vote is informed by the fact that those faced with a difficult fiscal position as indicated by other members, Treasury has been able to continue to apply a legislative and regulatory framework and produce a co-ordinated inter- governmental financial and fiscal framework to take the country forward. These respond to the priorities that were laid out in the state of the nation address in February. We remain convinced – and this is the view of many economists – that the stability and soundness of our financial system and its related financial services remain a pillar that will support economic growth going forward.

The management of revenue and expenditure is another key performance indicator of the National Treasury. It

demonstrates that facts and evidence derived from the state of the economy have indeed informed the choices made in the crafting of the 2021 National Budget. We are equally encouraged and commend Sars on its strategy to rebuild the revenue base. Members like hon Swart have referred to this. We are encouraged that Sars is actively responding to the filling of critical vacancies and skills as part of building its capacity to secure a stronger revenue base. As there is a further improvement in tax revenue collection, this means there is less need to raise money in the international markets through the issuing of bonds. This all contributes to improving fiscal integrity.

On managing the national fiscus, an assessment of performance shows that Treasury is executing a strategy to ensure that it contains debt and debt service costs. We are well aware of how debt service costs impact upon the funding manifesto priorities and how they impact negatively upon investment.

Fights to drive economic recovery will remain constrained while government has to manage the level of debt that confronts it.

On the revenue side, again a positive indicator of performance widely acknowledged amongst economies is the ensuring of greater capacity to extract revenue. This is assisted by Treasury’s structural reforms programme - the Operation Vulindlela strategy that is being rolled out and led by the Deputy Minister as he just indicated.

Policy mandates that Treasury is responding to are also to be found in the current work being undertaken on the establishment of the state bank where necessary consultations are being conducted. As the committee we urge for speed in this regard. As it was expected - given the devastation of Covid-19 last year on the economy - we are on course for economic growth, and we should cease the opportunity.

On economic growth and development, our economic reconstruction and recovery plans owe their theoretical existence to the 2019 Treasury document on economic transformation and inclusive growth. This economic strategy document has shaped and influenced the sector programmes of our economic reconstruction and recovery plan towards economic recovery. The support for these sector programmes is also to be found in various programmes of the Treasury Budget Vote.

This indicates a systematic manner of providing ongoing support to these programmes and departments that are mandated to drive them over the MTEF. This work is assisted by Programme 2 of the Vote, which is dedicated to economic policy research, analysis and advisory services in the areas of macro and micro economies, the financial sector, taxation and regulatory reforms. This demonstrates that the Vote addresses the performance indicator of facilitating economic growth and development.

On public finance and budget management, the Vote continues to finance an area of strength - supporting the annual budget process, one of the most transparent in the world. The Vote also attends to an area of greater concern over the years, that of support to public finance management across provinces and the local government. In this regard we welcome the incorporation of the technical support and development finance into the programme.

Noting the reports of the Auditor General on the state of provincial and local government finances and that of Treasury, this programme has introduced reforms to enhance provincial and local fiscal frameworks; implemented township economic

development strategies, as well as monitored the ability of the provincial departments to improve their infrastructure planning. Critically this programme responds to what oversight reports of Parliament and our budget review and recommendation report have raised - the need for greater support to provincial treasuries and to strengthen their oversight, as well as to address municipal financial performance. We welcome the 80 technical advisors to the National Treasury, provincial treasuries and municipalities to provide assistance to all three spheres of government to effectively perform their responsibilities regarding local government financial management and compliance.

In conclusion, Chair, I wish to say that as a response to the Auditor General as they define the instability caused by prolonged vacancies in key positions, we welcome the move of the filling of vacancies and acting positions at senior management level at National Treasury and entities. We look forward to engaging the National Treasury research papers that are being worked on. Therefore, our assessment on the mandate and performance of the National Treasury is that it measures against what has been allocated by the voted funds. Our assessment is that the National Treasury continues to respond

to the core challenges which underpin our economy. The management of state resources provides ongoing regulatory support, technical training and support across all three spheres.

The ANC supports the adoption of Budget Vote 8. Thank you, hon House Chair.

Dr D T GEORGE: House Chairperson, the mandate of the National Treasury includes co-ordinating macroeconomic policy, ensuring transparency, accountability and sound financial controls in the management of the country’s finances and collecting all taxes.

Although the Covid-19 pandemic has caused further devastation to our economy, we were already in serious trouble well before the pandemic arrived on our shores. Gross domestic product, GDP, projections over the past 10 years have been overstated because government’s incoherent economic policy consistently failed to generate economic growth. Government remains tract in its failed ideological belief that it can create economic growth and generate jobs.

Government can create environment for economic growth and job creation if it develops the necessary policy framework and spends the people’s money to the benefit of the people. The failed developmental state is clearly unable to break the cycle of unemployment and poverty. That state has made the environment hostile to small business and entrepreneurs and favours a very few politically connected, who have become extremely wealthy under the guise of a policy to empower the majority of South Africans who remain trapped in poverty. The policy of Broad Based Black Economic Empowerment, BBBEE, resulted in exactly the opposite — riddled with corruption and incompetence. The developmental state has failed.

Government focuses now on building infrastructure, the ideas that our economy will grow off the back of big state projects. The state-owned enterprises are a living example of big state projects that have failed and have robbed the poorest South Africans of the basic service delivery that any competent government would be expected to deliver.

Despite these spectacular failures, government intends to establish a state bank. This will merely serve as a new method for the corrupt to steal even more, just faster and more

efficiently. The macroeconomic policy of placing the state at the centre of our economy has failed and the pandemic has highlighted why. A government unable to rollout a desperately needed vaccine programme is not worthy, and where it has provided PPE, the staggering levels of corruption reflects what is happening anywhere government is involved.

This collapse in good governance is perhaps Treasury’s greatest failure as the custodian of the people’s money it is responsible for ensuring it is accounted for, and steps are taken if it is misappropriated. Treasury has been unable to do that. As the state-owned enterprises collapse into financial ruin one after the other, Treasury was unable to intervene effectively, instead, one bailout after another was processed. In the face of a crippling pandemic, the helplessly bankrupt SAA was bailed out again. Where ii the custodian? How does this happen over and over again?

There is no doubt that the South African Revenue service, Sars, is emerging from its capture by Jacob Zuma’s former commissioner, Tom Moyane, and that it will focus on collecting the tax that our economy so desperately needs. The focus should be on the wealthy tax evaders who have hidden assets

wherever they can, and on the local industries such as the tax industry that generates billions in income and pays virtually no tax. When the people have no confidence that government will spend their hard earned tax wisely, and to the benefit of those who need the service the most, it cannot be expected that tax payers will feel committed to pay their fair share of the tax revenue. The private sector companies who colluded with the rogues at Sars must also be held to account. It has long been clear that government is not the only perpetrator of corruption; they are facilitated by poorly governed corporations in the private sector. The South African Revenue service does need to be commended for exceeding tax revenue expectations under difficult economic conditions.

The effects of the pandemic are biting hard into the economy and into the lives of hardworking South Africans. Now is not the time for government to be dithering on finding solutions. As the pandemic runs its course, we do have an opportunity to emerge with a different economic model. A model that encourages small business and entrepreneurs to thrive. A model that does not tolerate corruption from a government so big and incompetent that it suffocates economic growth possibilities.

A leaner and more capable government without its millionaire managers can achieve that.

The committee noted the slow pace of pension fund reform and that this resulted from complex discussions at National Economic Development and Labour Council, Nedlac. Government has been clear that it intends to access pension fund assets to fund big government infrastructure projects. The question will then be what the form of this state borrowing from pension funds will take, and what returns members will enjoy, and if they will actually get their money back.

Yesterday the committee received presentations on my Private Members Bill designed to enable pension fund members to leverage their own pension fund assets to their own benefit without eroding their retirement savings. From the discussion, it is clear that an intervention is needed and needed now given the hardships now faced by hardworking South Africans heavily affected by the financial and personal consequences of the covid pandemic. In that interaction, it was obvious why the reform process has stalled. Treasury does appear insensitive to the plight of workers in distress, and the industry lobby appears to have no sense of urgency in getting

creative solutions into legislature. This is an ongoing discussion, and on this issue, the DA, Congress of South African Trade Unions, COSATU, and other committee members are on the same page. Treasury does need to up its game on retirement reform and we look forward to our further engagements. Thank you, House Chair.

*IsiNdebele:*

Num G J SKOSANA: Sihlalo ohloniphekileko, ngiyakulotjhisa kunye nomhlonitjhwa uNgqongqotjhe wezeeMali kunye neSekela lakhe, amalunga ahloniphekileko weNdlu kunye nesitjhaba soke seSewula Afrika.

*English:*

House Chairperson, I would be remiss if I do not add my voice and the voice of the ANC to condemn the brutal killings of the children, women, elderly and unarmed people of Palestine by the apartheid state of Israel. As this Parliament of the people, we must support a call of the hon President and other world leaders for an immediate seize fire and an end to the inhumane siege on Gaza.

House Chairperson, as we support Vote 8 — National Treasury, we must not lose sight of the moment we are in. The steps that government has implemented to ensure the survival of our people from Covid-19 and the resultant social and economic fallouts have been remarkable and deserve to be praised. We must however maintain keen oversight of the necessary and urgent reconstruction of the South African economy on fundamentally new foundations. The litmus test of a successful recovery will be the inclusion of the majority of South Africans, particularly black people, women, youth and people with disabilities in the mainstream of the economy.

The 53rd and 54th ANC conferences resolved to take economic transformation to new heights by fast tracking the development of entrepreneurs, SMMEs, 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 base empowerment.

We congratulate the Ministry of Finance which together with the Presidency drives Operation Vulindlela which seeks to facilitate structural reforms to grow the economy and to

reduce the cost of doing business. The early success of Vulindlela include the raising of the licensing threshold for embedded electricity generation as well as the phase switch off of the analogue signal, amongst others.

The Presidency has also released its fourth progress report on implementation of the Presidential Employment Stimulus. This report shows that by the end of March 2021 a total of 532 180 people had directly benefitted from the stimulus including

422 786 jobs created or retained and 109 394 livelihoods supported.

Hon members, unlike the DA which has been dogmatically agitating for the shrinking of the state from regulation and participation in the economy, the ANC believes that the South African economy is in need of decisive state of intervention. Just to illustrate the contradictory stance of the DA, they were the loudest in calling for the extension of the UIF special Covid-19 TERS benefits to support companies in distress. So, the DA recognises the importance of the state only in so far as it can bailout private sector companies, not the economic inclusion of the working class masses and the poor.

Hon House Chair, the National Treasury which in accordance with the Constitution and the PFMA is the custodian of the macroeconomic policy, transparency, accountability and sound financial controls in the management of public finances, plays a vital role in the reconstruction and recovery of our economy. Our country therefore needs a capable and stable National Treasury that has the agility to navigate the contradictions in the political, social and economic environment while it also provides policy co-ordination with SARS and the South African Reserve Bank.

These institutions must work to restore the trust of investors so that they have confidence to invest in South Africa for our country’s long-term growth and development. The ANC shall continue supporting these institutions while using oversight to ensure that each one of them delivers on its mandate. We also want to see action against those responsible for corruption, malfeasance and inefficiency in government departments and state-owned enterprises.

On expenditure review, hon members, we have taken note that the department has set a number of crucial targets that it aims to achieve in the medium term. This includes focusing on

reviewing tax policy, supporting economically integrated cities and communities, and infrastructure development. As the ANC we are looking forward to receiving and processing the Public Procurement Bill in order to make government procurement more efficient and inclusive. The ongoing work of facilitating international and regional co-operation is critical for our government and the African Union strategy of economic integration of Africa. We also observed that the department’s budget over the medium-term is R2,6 trillion of which transfers to provincial governments, for the equitable share it is R1,6 trillin or 60,8%.

While the ANC appreciates the R8 billion over the MTEF period that is provided through the provincial equitable share to support the Covid-19 response programmes of provinces, we are concerned about the baseline reduction of R208,5 billion on provincial equitable shares and the general levy. We also share the concern expressed by you, hon Minister, that the costs for servicing government debts are simply unsustainable. The debt servicing costs will amount to 33,4% or to about R916,3 billion of the budget over the medium-term.

On fiscal management, the ANC trusts the National Treasury to strike a balance between these concerns and steer the economy out of the current challenges so that we do not become like Greece, wherein 2009 the budget deficit exceeded 15% of its GDP. In Greece, the fear of a default led to the collapse of the country’s board market. This hampered Greece’ ability to finance further debt repayments thus confining the nation to a debt prison where it was forced by its lenders to implement austerity measures which included cutting pensions by 1% of GDP and required higher pension contributions by employees and limited early retirement. That is the type of austerity none of us ever want to see in South Africa.

Hon members, it is out of these concerns that we call on the South African government and organised labour in the public service to go back to the negotiating table and work out a solution to break the current deadlock on wage negotiations. They must find a political solution that does not collapse the fiscal framework we have voted for in this august House two months ago. If that collapse were to happen, current and future generations of South Africans would never forgive us.

In conclusion, it is unfortunate that hon Shivambu has made wild allegation against the chairperson of the PIC board. The allegation that was raised by hon Shivambu here is the allegation that was raised by one of this entities which is being supported by the PIC in the committee. As a committee we are agreed to that we going to have a meeting with the PIC board led by the chairperson to deal with this particular matter. So, it is quite wrong and uncalled for, for hon Shivambu to raise this matter in this House because where we are seated now there is no determination on our side that indeed the chairperson of the PIC is involve in procurement or is benefiting in procurement process of the PIC board.

Also, on the matter of SARS, we don’t agree with hon Shivambu that SARS is currently underperforming because looking their APPs and their revenue collection in the year under review I think we all agreed in the committee that SARS has drastically improved from the performance of the previous years and they did that under very difficult conditions of Covid-19. So, to SARS is underperforming we totally don’t agree with hon Shivambu. In our view is that SARS is slowly but surely improving. That is evident by the fact that they were able to collect more revenue more than what had expected to collect

and compared to the other previous year I think they have performed very well.

So, hon Chair, we also agree with other members that says that there is a need for economic growth in order for us to be able to address all the challenges that we are facing. If we can deal with the issue of economic growth, then we will be able to deal with the issue of unemployment, poverty and inequality for as the ANC we support the Budget Vote. Thank you, House Chairperson.

The MINISTER OF FINANCE: Thank you very much, hon House Chair. Indeed, there’s an English expression which goes “When the rubber hits the tar”, it means when you really face reality.

Therefore, currently, there are 163 municipalities which are classified as being in financial distress -163. Forty municipalities in a financial and service delivery crisis. A

102 municipalities who have adopted budgets this year, which they cannot fund - in other words unfunded budgets. So, we are facing difficulties. That’s when the rubber hits the tar. Therefore, I urge Members of Parliament to help us in their constituencies to look carefully at what is happening with these municipalities.

On 13 April 2021, the High Court in Pretoria, Tshwane, made a ruling that the national executive, being the national government, must take over the running of the Lekwa Local Municipality in Mpumalanga. In fact, in terms of the Municipal Finance Management Act, it effectively makes the Minister of Finance the mayor of Lekwa. We had to dissolve the council and put in place an administrator who will help us manage the municipality. That’s when the rubber hits the tar - that’s when the rubber hits the tar.

I leave that alone and only respond to two other issues. One, the National Treasury still remains one of the best places for young people to grow their careers under the leadership of Dondo Mogajane. The National Treasury is one of the best institutions together with the SA Reserve Bank, SA Revenue Services, the SA Defence Force and the judiciary which are really holding the country together. Therefore, I’m very thankful to the team at the National Treasury for the work they do. I want to address one thing as I conclude. This has been provoked by hon Dion George from the DA who spoke ... [Interjections.]

The HOUSE CHAIRPERSON (Mr C T FROLICK): My apologies, hon Minister. Hon Abrahams, will you mute your microphone, please. Please, continue, hon Minister.

The MINISTER OF FINANCE: Thank you, House Chair. I’m sure that was not deliberate it was just technological issues. I was saying that I want to respond to hon Dion George from the DA who I think misunderstands something very fundamental about why are we so insistent on the State Bank, and thus one thing which I can agree with hon Shivambu about. Why are we so insistent on the State Bank?

*Xitsonga:*

Onge ha penga, swa hi pengisa leswi. Ku pengisa ...

*English:*

... is to make mad not confused. This State Bank thing is a very serious matter. It goes to the heart of what we call finance capital. I know from personal experience when I was in the private sector that the banking industry could not support me on some of my biggest ventures because they could see that there was going to be a very big successful black person.

However, they wouldn’t come to the party. So, they need to

find a financial mechanism, a State Bank to support the emergence of these black industrialists, black agriculturalists, and so on, it’s very, very important. However, it will not just support black people because we are building a nonracial South Africa. But, also black and white and women and co-operatives and everybody else.

You really have to have the experience to understand that the current banking system is not fully supportive of the developmental agenda that we want. That’s why I agree with hon Shivambu even though he’s nasty to me from time to time, but on this one I agree with him. Deputy Minister Masondo is now at an advanced stage in taking the matter of the State Bank to Cabinet. This is something we call finance capital; without finance capital you can’t go anywhere - I’m telling you. I know it from having been also in investment banking and so on, you need finance capital to be able to drive through economic transformation.

However, overall, House Chair, I really would like to thank the members of this mini-plenary for their contributions.

We’ve taken extensive notes on what members have said. We

always appreciate working very closely with you. The National

Treasury is at the centre of the state system, it’s a pillar. Therefore, I thank you for your support. Thank you very much, House Chair, and thank you to the members. Thank you.

Mr N F SHIVAMBU: House Chairperson, just want to assure the Minister that I’m not nasty to him, but once you finalise this thing of state bank ...

*Xitsonga:*

... hi ta twanana ngopfu.

*English:*

The HOUSE CHAIRPERSON (Mr C T Frolick): Hon member, you had your opportunity to make the point and make sure the Minister take notes of that. That concludes the debate, hon members and the business of this virtual mini-plenary session and the mini-plenary will now rise.

Debate concluded.

The mini-plenary session rose at 18:14