**Address by the Cde Hope Mankwana Papo on the Presidency Budget Vote 2021**

Honourable Speaker and Deputy Speaker

House Chairpersons

Chief Whip and Deputy Chief Whip of the majority Party

President and Deputy President of the Republic

Ministers and Deputy Ministers

Members of Parliament in the National Assembly

Fellow South Africans

We have gathered today in this august House to debate Vote two of the Presidency. This debate happens at the start of the Youth month in the year dedicated by our country to the memory of the stalwart of the struggle against colonialism Mama Charlotte Maxeke. The debate also takes place after more than a year of the worldwide Coronavirus pandemic which negatively affected the world in general and our country in particular. We are also debating the Presidency Budget vote three days after the decision by the Cabinet to return the country from Alert Level one to Alert Level two in order to combat the rising number of infections and deaths. The measures announced by President Ramaphosa on Sunday, 30th May 2021 continue to be guided by Science to save lives and protect livelihoods.

At its first virtual meeting on the 1st July 2020, the ANC NEC had this to say about the pandemic:

“**The NEC took place six months into the global Covid-19 pandemic, which has had profound social and economic consequences for our country and the world. As the NEC was deliberating, the virus had infected more than 10 million people and claimed the lives of more than half-a-million people. A second wave of infections in countries that have hitherto managed to control the pandemic is of great concern. The Covid-19 pandemic affects the public health, economies and social cohesion of all national, with devastating consequences for all sectors of society, especially the most vulnerable. The pandemic has, once again, exposed the persistent fault lines of poverty, inequality and unemployment in our society. As a nation we must seize the opportunity collectively to fight both this public health pandemic, but also to embark on a programme of socio-economic reconstruction, solidarity and common prosperity”**

This analysis has guided and continue to guide the health, social and economic approach of our government. It also guided the development of the Economic Reconstruction and Recovery Plan which was extensively discussed by business, labour and community social partners at the National Economic Development and Labour Council (NEDLAC). It was also discussed by other sectors outside NEDLAC. The Economic Reconstruction and Recovery plan was launched by President Ramaphosa in a Joint Sitting of the National Assembly and National Council of Provinces on the 20th October 2020 in this very Chamber.

**ECONOMIC RECONSTRUCTION AND RECOVERY PLAN**

The Economic Reconstruction and Recovery plan aims to build an economy that meets the needs of citizens. An economy that will be able to create adequate jobs for all who seek employment, provide equitable distribution of income amongst all **South Africans** and create a better life for all. That is not an easy task because of the various endogenous and exogenous factors our economy faces. But with full participation and support of all sectors of society, our economy will recover.

As stated in the Economic Reconstruction and Recovery Plan 2020, it was among others motivated by the following factors:

* more than a decade of economic stagnation making it difficult to deal with the historical structural inequalities, unemployment and poverty. This economic stagnation coupled with the Covid-19 crisis led to low levels of the use of capacity in the various sectors of the economy, causing a serious reduction on the gross fixed capital formation. A reduction in the gross fixed capital formation is bad for our economy because it is an economic variable which is important to sustain and grow the productive foundations of the economy.
* A consensus amongst social partners that there should be serious structural change in the economy that would unlock growth and allow for development.
* A determination by government to massively mobilise all resources and efforts in economic activities that will put the economy in a sustainable recovery path.
* challenges in the economy which have been worsened by sustained low levels of investment and growth.
* A number of downgrades, including state-owned enterprises (SOEs), impacting badly on the cost of borrowing.
* Loss of jobs, people going without income for extended periods, and going hungry every day. Inequality was expected to widen and poverty to deepen.

These factors, plus an increasing budget deficit and a rising debt has made budgeting quite difficult.

The Plan has three phases: Engage and Preserve - which includes a comprehensive health response to save lives and curb the spread of the pandemic; Recovery and Reform - which includes interventions to restore the economy while controlling the health risks; and lastly, Reconstruct and Transform - which entails building a sustainable, resilient and inclusive economy.

The following priority interventions are being made:

* Aggressive infrastructure investment;
* Employment orientated strategic localization, reindustrialization and export promotion;
* Energy security;
* Support for tourism recovery and growth;
* Gender equality and economic inclusion of women and youth;
* Green economy interventions;
* Mass public employment interventions;
* Strengthening food security; and
* Macro-economic interventions

The following key enablers are slowly but surely being put in place to maximise implementation:

* Resource mobilisation;
* Regulatory changes, a supportive policy environment and enabling conditions for ease of doing business;
* Building a capable state;
* Social compacting;
* Skills development and
* Economic diplomacy and further integration into the African continent

Specific interventions in sectors that have emerged as important areas of growth and employment are being made to strengthen the economic reconstruction and recovery. Interventions in the Plan are to be underpinned by the need to protect vulnerable workers, households and firms; building consumer, investor and public confidence; deepening industrialization through localization; pursuing environmental sustainability, delivering quick wins; and continuing to provide relief to mitigate the impact of Covid-19. Finally, the aim is to pursue and infrastructure led economic reconstruction and recovery with investment in infrastructure to stimulate countercyclical measures in the economy.

The following structural reforms are being implemented:

* + Modernizing and reforming network industries and associated state owned enterprises;
	+ Re-orienting trade policies and pursuing greater regional integration to boost exports, employment and innovation;
	+ Lowering barriers to entry to make it easier for businesses to start, grow, and compete;
	+ Supporting labour-intensive sectors such as tourism and agriculture to achieve more inclusive growth;
	+ Creating greater levels of economic inclusion, including through addressing high levels of economic concentration;
	+ Addressing the weak job-creating capacity of the economy;
	+ Boosting education and skills development;
	+ Promoting greater beneficiation of raw materials; and
	+ Addressing racial, gender and geographical inequalities which hamper deeper economic growth and development.

During Departmental Budget votes various relevant Ministries have outlined how these programmes are being implemented in the medium and long term. President Ramaphosa has also detailed some of the milestones already achieved and still to be achieved.

There are many academic studies which scientifically demonstrate the importance of infrastructure spend to economic growth and development of countries, particularly developing countries.

In the abstract of a research paper published by Wits BusinessSchool titled “Does infrastructure really explain economic growth in Sub-Saharan Africa?” authored by [Odongo Kodongo](https://ancparliament.org.za/content/address-cde-hope-mankwana-papo-presidency-budget-vote-2021%22%20%5Cl%20%22%21) and [Kalu Ojah](https://ancparliament.org.za/content/address-cde-hope-mankwana-papo-presidency-budget-vote-2021%22%20%5Cl%20%22%21) indicates the following:

“**In light of Africa’s palpable deficit in public infrastructure, we use System GMM to estimate a model of economic growth augmented by an infrastructure variable, for a panel of 45 Sub-Saharan African countries, over the period 2000–2011. We find that it is the spending on infrastructure and increments in the access to infrastructure that influence economic growth and development in Sub-Saharan Africa. Interestingly, these significant associations, especially those of infrastructure spending, are more important for lesser developed economies of the region than for the relatively more developed economies, which uncommonly have better than near-zero access to infrastructure. In addition to these robust direct links between the target variables, we find importantly that infrastructure access, and quality, also relate to economic growth indirectly via export diversification (trade competitiveness), and cross-border capital flows and trade competitiveness, respectively. Among other important policy derivatives of our findings, we emphasize that efforts aimed at reversing Africa’s pervasive infrastructure deficit, in ways that enable economic growth and development, must be carefully nuanced”**

This is also indicated in the research paper published by the African Development Bank titled “Africa’s infrastructure: Great potential but little impact on inclusive growth”.

The paper indicates that **“economic costs of Africa’s insufficient stock and poor quality of infrastructure are as big for the continent as the size of the potential impacts of resolving the problem. Funding infrastructure in Africa and around the world should not be an issue of financial resources. Beyond the seemingly unlimited resources from the public sector in advanced economies and central banks, institutional investors such as insurance companies, pension funds, and sovereign wealth funds have around $100 trillion in assets under management globally.**

**A small fraction of the excess global savings and low-yield resources would be enough to plug the financing gap and finance productive and profitable infrastructure in the developing world. That would boost aggregate demand, create employment in poor and rich countries alike, and move the world toward peace and prosperity. In ideal political circumstances, a global pact between rich and poor nations would codify a “grand bar- gain” based on infrastructure financing. But the world does not have ideal political circumstances”**

**DISTRICT DEVELOPMENT MODEL**

Various programmes are being implemented through the District Development Model which according to the lead Ministry of Cooperative Governance and Traditional Affairs (COGTA) is:

A model for improving Cooperative Governance aimed at building a capable, ethical Developmental State. It embodies an approach by which the three spheres of government and state entities work in unison in an impact-oriented way, and where there is higher performance and accountability for coherent service delivery and development outcomes. It is a method of government operating in unison focusing on the municipal district and metropolitan spaces as the impact areas of joint planning, budgeting and implementation.

The objectives of the District Development Model are to:

* Coordinate a government response to challenges of poverty, unemployment and inequality particularly amongst women, youth and people with disabilities.
* Ensure inclusivity by gender budgeting based on the needs and aspirations of the people and communities at a local level.
Narrow the distance between people and government by strengthening the coordination role and capacities at District and City levels.
* Foster a practical intergovernmental relations mechanism to plan, budget and implement jointly in order to provide a coherent government for the people in the Republic; (solve the problem of silo’s, duplication and fragmentation) maximise impact and align plans and resources through the development of “One District, One Plan and One Budget”.
* Build government capacity to support municipalities. Strengthen monitoring and evaluation at district and local levels. Implement a balanced approach towards development between urban and rural areas.
* Exercise oversight over budgets and projects in an accountable and transparent manner.

Each district and metro plan are to develop a long-term government agenda in these spaces and unpack at least the following developmental issues:

* Managing urbanisation, growth and development;
* Supporting local economic drivers;
* Accelerating land release and land development;
* Investing in infrastructure for integrated human settlement, economic activity and the provision of basic services; and
* Addressing service delivery in municipalities.

Having outlined the factors underpinning the Plan, its objectives, it is important to reiterate the importance of spending in economic and social infrastructure to stimulate countercyclical measures. The President has outlined what is happening and will happen within the infrastructure space. Spending on infrastructure for a country with a historical legacy of colonialism of special type and apartheid requires a commitment to ensure the full participation of black people, youth and women in the whole value chain of infrastructure projects create economic opportunities, build skills and work experience.

We must however condemn criminal groups around the country which hijack and disrupt important infrastructure projects and demand cash upfront from contractors who are awarded contracts. These criminal disruptors demand money when they do not even have the skills and capacity to even subcontract and in the process deny opportunities to genuine community members who have skills and capacity. This is a distortion of the policy of economic participation by black people, women and youth. It is pure extortion and fraud and the law enforcement agencies should continue to act harshly against these criminals.

**CONCLUSION**

For us to rebuild our economy, it requires continued boldness, thinking out of the box, accepting our weaknesses, continuing to professionalise and orienting all public servants and leaders towards a progressive developmental way of thinking and working, extra ordinary and patriotic commitment to seriously continue dealing with poverty, inequality, unemployment, all forms of crime and corruption which are destabilising families, communities and our country. We also require enhanced human and financial capacity of Parliament to conduct robust, smart and scientific and evidence based oversight guided by the Parliamentary Sector Oversight model. We must do this in memory of Mama Charlotte Maxeke in other heroes and heroines of our country.

The ANC is historically known to publicly admit its own weaknesses and not talk about political strengths and experience it has gained over the 109 years of its existence in the long and difficult struggle to build a non-racial, non-sexist, united, democratic and prosperous South Africa.

Having said that, some of our colleagues who spoke seem to live in their own world where there are no objective difficulties, exogenous economic problems and no devastating Coronavirus. Some of them are characterised by inflated egos, distortion of history of our country to suit narrow interests, high school type bullying tactics, amateurish, populist and irresponsible sloganeering and insults against individuals as part of their debating strategies and political engagement.

Fortunately majority of South Africans know and detest their rude, chaotic, rumour mongering, cultist, undemocratic and dictatorial tendencies. That is why during every election, they keep on proclaiming that they are going govern but are each time rejected even at Ward level. Having fought against one of the most brutal and criminal regime, we cannot and are not intimidated by these purile and childish tactics. We have to continue to implement our policies and programmes reflected in the 2019 - 2024 Elections Manifesto and the Strategic Plans based on the objective capacities of our country and not loud slogans we are daily subjected to in Portfolio/Standing Committees and the House Sittings.