THURSDAY, 11 JULY 2019

____

PROCEEDINGS OF MINI-PLENARY SESSION – NATIONAL ASSEMBLY

____

Members of the mini-plenary session met in Committee Room E249 at 19:06.

House Chairperson Ms M G Boroto took the Chair and requested members to observe a moment of silence for prayer or meditation.

ANNOUNCEMENTS. TABLINGS AND COMMITTEE REPORTS – see col 000.

APPROPRIATION BILL

Debate on Vote No 7 – National Treasury:

The MINISTER OF FINANCE: Madam Chairperson, hon Members of Parliament, I am pleased to present Budget Vote No 7 for the National Treasury, and in this regard, I wish to thank the chairpersons and members of the Finance and Appropriation committees for their role in discussing the matters presented before them.

In February, I brought to this House the resilient and evergreen Aloe Ferox. It's something like that. Today, I address the House against the backdrop of growing fiscal challenges. I remain convinced that the Aloe still encapsulates what we aspire to be as a National Treasury and as a country — resilient and evergreen.

The total allocation to this Vote in this financial year is R30,8 billion. This allocation will allow the National Treasury to conduct research on the economy together with our partners in and outside of government, and develop policies to maintain fiscal stability and promote economic growth. Together with the SA Reserve Bank, the National Treasury also ensures the stability of the banking sector and the overall financial system. It also co-ordinates intergovernmental fiscal relations; manages the budget process for government and the revenue estimates of the state; and enforces transparent and effective management of revenue, expenditure, assets and liabilities. This allocation includes transfers to the SA Revenue Service, Sars, the Financial Intelligence Centre, FIC, the State Security Agency and our commitments to multilateral financial institutions. It will also include contributions to civil and military pensions.

In the state of the nation address, the President gave an honest, clear and sobering outline of the current economic situation. He stated, "Our economy is not growing. Not enough jobs are being created". He therefore called on all of us as leaders in our various fields of human endeavour to focus on, "those actions that will have the greatest impact” and those actions that will, “catalyse faster movement forward”.

In the last few years, South Africa’s economy has significantly underperformed. Growth has lagged behind global and other emerging market countries; real gross domestic product, GDP, has grown slower than population growth for five consecutive years; and our current GDP performance on a per capita basis is the weakest since the 1960s.

Although global conditions have at times been unfavourable, especially in respect of capital flows, domestic constraints have become the main cause of persistent underperformance. For example, the first quarter GDP contraction of 3,2% was fairly broad-based, indicating that the potential for long-run growth is dominated by downside risks, and that domestic structural factors abound.

What are the reasons for this poor economic performance? As indicated, the National Treasury engages in extensive research and has identified five primary impediments to growth. Not in any order of importance, they are: Inefficient and poor quality public service delivery; Poor education outcomes; Poor productivity; Inequality; and Unemployment.

The recent economic performance requires an acceleration of government’s efforts to address constraints to growth — your so-called binding constraints — while continuing to provide support to vulnerable groups, and the National Treasury will be at the forefront of all of this. What does government therefore need to do?

Firstly, continuously promote policy certainty;

Secondly, resolve our state-owned enterprise, SOE, challenges to restore fiscal sustainability;

Thirdly, ensure security and reliability of electricity supply;

Fourthly, continue working to attract investment; and

Finally, streamline and make government regulations more effective, while making it easier for businesses to register, innovate, export and create jobs.

In this context, the issue of SOEs, which was discussed in the previous committee just now, is critical. Eskom presents the biggest risk to the fiscal framework because of its financial problems and its negative impact on the lives of South Africans. Given the high risks to the economy of a systemic failure if Eskom were to collapse, government is urgently working on stabilising the entity, while developing a broad strategy for the future. In addition to the support announced during the February Budget, I am considering introducing a Special Appropriation Bill in the House on 23 July this year after consultations with the parliamentary management, to make available additional funding to Eskom for the current and next financial year. As indicated in the February Budget, the National Treasury, in consultation with the Department of Public Enterprises, has developed the terms of reference and scope of work for the chief restructuring officer. The appointment will be made.

Once the annual Appropriation Bill currently before Parliament becomes law, additional financial support will be provided from the contingency reserve account to SOEs, namely SA Airways, SAA, the SA Broadcasting Corporation, SABC, and Denel.

However, I must emphasise that this additional government support cannot be a blank cheque to these SOEs. We really and truly cannot go on like this. A broad strategic framework in the form of a Green Paper which will culminate in a White Paper will be published. This will deal, amongst others, with the role that government expects of SOEs in a fast-changing micro and macro-economic environment. In some cases such as in aviation and in broadcasting, various companies are making profits and providing good quality services. Let me just repeat this. In some cases such as in aviation and in broadcasting, various companies which operate in these sectors are making profits and providing good quality services, yet some of our SOEs in the same sectors, operating under the same economic conditions, are relying on government bailouts. We cannot allow this to continue.

Let me remind the House of the package of measures government wants to implement or is implementing to stimulate economic growth. These were outlined by the President in September last year:

Firstly, implementing growth-enhancing economic reforms such as broadband spectrum allocation — and we've heard the Minister of Communications making announcements in this regard — restructuring the electricity sector and regulating the transport sector to lower prices;

Secondly, reprioritising public spending to support job creation and economic growth such as, for example special allocations to the Land Bank to support emerging farmers;

Thirdly, establishing an infrastructure fund which will be based and managed by the *Development Bank of Southern Africa*, DBSA;

Fourthly, addressing urgent matters in education and health, and I'm pleased to say that in the health sector, the Minster of Health has already been able to identify a number of bottlenecks which have been causing problems for us. He briefed me about that this afternoon; and

Finally, investing in municipal social infrastructure improvements.

The current economic performance will have a substantial impact on our fiscal stability, requiring tougher and strategic choices. Up to now we have maintained real growth in spending and the Budget tabled in February reflected a real increase that is above inflation, of 2,4% in spending estimates. It will be difficult to sustain this momentum if we do not decisively address certain aspects of government spending, especially for underperforming programmes. In this regard, we need to look carefully at those government programmes that can be recalibrated to improve their performance and to lessen their reliance on the fiscus.

There are serious challenges in our municipalities and as the president of the SA Local Government Association, Salga, reminded us the other day, we all live in local governments and therefore we have an interest in the proper functioning of local governments. The Auditor-General presented his findings on local government finances on 26 June 2019 and needless to say, the outcomes are very disappointing. In this regard, I will be working very closely with the Minister of Co-operative Governance to address some of those issues.

We are rebuilding our damaged institutions and restoring good governance, and appointing strong leadership to various entities. In this regard, you are aware that, based on the Nugent commission of inquiry, we have now appointed a new commissioner for Sars, Mr

Edward Kieswetter. Congratulations sir. I think he might be somewhere in the House. [Applause.]

We are also pleased to welcome a new interim board of directors for the Public Investment Corporation, PIC, and we wish the members well in the performance of their duties.

In the SA Reserve Bank we welcome the reappointment of Governor number 10, Lesetja Kganyago, to a further five years in office and the appointment of two new Deputy Governors of the SA Reserve Bank. [Applause.] I think one of them is here. Fundi, can you stand so that they can see you? She's a brand new Deputy Governor. [Applause.]

HON MEMBERS: Malibongwe! [Praise!]

The MINISTER OF FINANCE: I conclude by once again thanking the committee for the work they have done in looking at all the items that are in this Budget. Thank you very much. [Applause.]

Nkul M J MASWANGANYI: Mutshamaxitulu, Holobye wa swa timali, Tatana Tito Mboweni, Museketeri wa Holobye Dokodela David Masondo, Swirho swa huvo yo endla milawu ya AfrikaDzonga, Director-General na vatirhelamfumo hinkwavo hi ku ya hi swiyimo swa n'wina ...

(Translation of Xitsonga paragraph follows.)

[Mr M J MASWANGANYI: Chairperson, the Minister of Finance, Mr Tito Mboweni, the Deputy Minister, Doctor David Masondo, members of the legislature of South Africa, the Director-General and the public servants from all walks of life ...]

Governor of SA Reserve Bank, SARB, congratulations for your reappointment Leadership of all entities present ...

Ndza mi losa. Namuntlha ndzi lava ku hoxa xandla eka njhekanjhekisano wa mpimanyeto wa Ndzawulo ya Timali ya lembe ximali ra 2019-20. Ndzi lava ku ta andlala xiviko xa Komiti ya swa Timali. Ndzi ta sungula ndzi vulavula hi leswi vandla leri fumaka ra ANC ringa swi fikelela eka 25 wa malembe lawa yanga hundza. *(Translation of Xitsonga paragraph follows.)*

[I salute you. Today I would like to make my contribution to the debate of the Department of Finance for the 2019-20 financial year Budget Vote. I would like to table the report of the Finance Committee. I want to start off by talking about what the ANC-led government has achieved in the past 25 years.]

The democratic miracle that ushered in the new South Africa 25 years ago, represented the aspirations of all our people, black and white, young and old, men and women, urban and rural and was an inspiration to the world. It is important to look back, focusing on 25 years as an account of our achievements, persistent challenges, and new challenges from the internal and external environment. It also accounts for the opportunity costs with a view to enable us to chart a sustainable path forward. The review reminds us of the words of Martin Luther King Jr who said, when speaking at Stanford University on April 14 1967:

> We are not where we want to be, and not where we were going to be, but we sure are a long way from where we were.

The society we inherited was a deeply divided one with the economy, education, health, infrastructure and social welfare systems servicing a few. In fact, every aspect of human endeavour, was built on a systematic structure of racial, gender and class discrimination. From a budget perspective we inherited a $25 billion debt from the apartheid government which it had used to prop itself up in its dying days, and to fund its security apparatus. This odious debt was added to the $850 million debt the apartheid government borrowed from the International Monetary Fund, IMF, during the last year of apartheid rule. And, although we had a number of other government frameworks over the 25 years: Growth, Employment and Redistribution, Gear; Accelerated and Shared Growth Initiative for South Africa, Asgisa; the New Growth Path and the National Development Plan – and we may have had debates about the substance of these - our guiding aspirations remained as reflected in the Reconstruction and Development Programme, RDP.

The 25 years show that government made remarkable strides in meeting the aspirations of our people for a better life for all. Five successive administrations have made solid advances towards meeting basic needs: Millions previously denied their basic rights were provided access to education, electricity, water, sanitation, health care, housing, roads and other amenities. Life expectancy has increased from 54,1 years in 2006, to 64,2 in 2018. The democratic government from the onset sought to open the doors of learning and culture, by providing universal basic education and today we have up to 67% of learners in no-fee schools and 77,1% benefiting from school nutrition programmes.

This Budget ensures greater focus on confronting problems facing the nation through the implementation of the programmes announced by President Ramaphosa during his 2019 state of the nation address. Implemented effectively, this Budget provides a platform for renewal, inclusive growth and job creation; and directs spending to our most pressing national priorities like education.

The 2019-20 Budget moderates spending and raises the revenues required to contain the growth in national debt, whilst minimising the negative effects on growth. The Budget presents a roadmap to maintaining the integrity of our public finances, while protecting social services. The budget is creating the right environment for efforts to accelerate inclusive growth, significantly increasing levels of investment and putting in place measures to create more jobs. It is in line with a range of measures introduced to ignite economic activity, restore investor confidence, support employment and address the urgent challenges that affect the lives of vulnerable members of our society.

We support reforms to relieve policy uncertainty and blockages which are yielding results for investment in mining, telecommunication and tourism. While the projected GDP growth rate of 1,5% in 2019 is still too low, at least it is an improvement on the Medium-Term Budget Policy Statement, MTBPS, 2018 projection that it would be 0,7%, as result of the implementation of structural reforms announced last year.

Chairperson, the issue of Broad-based Black Economic Empowerment needs serious attention. According to the BBBEE Commission’s report titled “National Status and Trends on Black Economic Empowerment Report”, 31 March 2018, control of the boards of South African listed entities were still concentrated in the hands of white and foreign males at 58%, with almost equal representation between black males at 20% and black females at 18% for those entities that reported under Section 13(g) of the Act.

We welcome the focus on youth, which reflects the largest allocation of resources towards government’s priorities on basic and higher education, skills development training to contribute to social cohesion. Over and above the R30 billion allocated to building new schools and maintaining infrastructure, R2,8 billion is allocated to phase out pit latrines in over 2 400 schools. We support the phasing in of free education through the allocation of R111,2 billion.

Chairperson, broadly speaking, transformation in the financial sector is slow. Among the reasons advanced for the slow pace of transformation is that the sector is highly regulated locally and internationally through instruments like Basel 2 and 3 Regulations for the banks. Deracialisation is obviously a crucial aspect of transformation. Economic transformation must benefit the marginalised in society by bringing them into the mainstream of the economy. Therefore, the transformation of banks, insurance industry and related industries should be expedited. Our people cannot remain outside the mainstream economy.

We have to indicate that there are challenges that this economy has faced and the Minister has indicated some of them. However, what we want to indicate is the issue of the increase in the rate of youth graduate unemployment. According to latest Quarterly Labour Force Survey released by Statistics SA, the youth aged 15 to 24 years are the most vulnerable in the South African labour market as the unemployment rate among this age group was 55,2% in the first quarter of 2019. Among graduates in this group, the unemployment rate was 3,15 during this period compared to 19,5% in the fourth quarter of 2016, an increase of 11,4 percentage points quarter-on-quarter. The burden of unemployment is concentrated amongst the youth aged 15 to 34 years, as they account for 63,4% of the total number of unemployed persons. We must make sure that this Budget goes a long way in alleviating the problem of youth unemployment because, as we speak, we also have a cohort of graduates who are unemployed out there in society.

The last section of the report deals with observations and recommendations. The committee requires an explanation from the National Treasury on why the National Payment System Bill is no longer part of the Bills that will be tabled in this financial year. The committee further requires the National Treasury to table its proposed Bills as soon as possible to enable the committee to plan its legislative programme given that this year is shorter owing to the national elections that took place in May 2019.

The committee urges the National Treasury to expedite its work on revising the policy framework on the modernisation of approvals for expenditure deviations. The committee believes that the enactment of the long-awaited Public Procurement Bill will go a long way in dealing with the issue of SCM deviations, and eliminating the fragmentation of the country�because procurement policy. The committee urges the Minister to expedite the appointment of the senior management officials where there are officials in acting positions within Treasury in order to ensure leadership stability and the implementation of the Auditor-General’s leadership, financial management and governance recommendations as contained in the 2017-

18 Annual Report of the National Treasury and its audit action plans.

The committee is concerned with the financial state of state-owned entities, SOEs. The committee also notes the reforms that have taken place since 2017 to turn the financial position and management of SOEs. However, many SOEs continue to pose a great risk to the fiscus. While the committee recognises that the turnaround plans at SOEs cannot be achieved overnight, it is concerned with the impact and effectiveness of these changes. The committee will request more information from National Treasury to justify requests for extra resources, bailouts and or guarantees and insist on conditions being attached to any approvals.

We also raised the issue of municipalities and the Minister has actually attended to this matter. We believe that the report that was released report of the Auditor-General of SA titled "Consolidated General Report on the local government audit outcomes: Municipal Finance Management Act, MFMA, 2017-18" shows a serious regress in the overall audit outcomes in 2017-18.

In conclusion, hon Chairperson, there's an issue of Venda Pension Fund emanating from the report of the Public Protector - Report No 18 of 2011-12.

Komiti yi kombela Holobye na Vutameri bya Timali ta Tiko ku langutisisa mhaka leyi hikuva yi na ku tsakela ka vaakatiko ngopfungopfu eLimpopo. Mhaka leyi I ya nkoka swinene. Hi kombela Vutameri bya Timali ta Tiko ku vika leswi swi nga endliwa hi mhaka leyi. Komiti ya Nkarhi Hinkwawo eka swa Timali yi seketela xiviko lexi.

Ndza khensa. [Va phokotela.] *(Translation of Xitsonga paragraphs follows.)*

[The committee requests the Minister and National Treasury to attend to this matter as it is of public interest particularly in Limpopo. This issue is very serious. We request the National Treasury to report on what has been done with this matter. The Standing Committee on Finance supports this report.

I thank you. [Applause.]]

Mr G G HILL-LEWIS: Hon Chairperson, I congratulate the Minister on his reappointment and I congratulate the Deputy Minister on his appointment. I am looking forward to working with both of them and the committee to reverse our current economic stagnation.

My impression is that the Minister is hardworking and honest; characteristics that will serve him well in the battles ahead. He also, clearly, cooks a lot better than I do.

The Minister has been returned to this most difficult of jobs at a profoundly concerning time for our country. Our economy is not growing, the public purse is empty, national debt is fast approaching unsustainable levels while 10 million people are without work.

In this context, the Minister's primary objective and the primary objective of the Treasury must be to stabilise national debt. The debt is projected to rise sharply to 60,2% of gross domestic product, GDP, by 2023, and that is only if growth comes in at projection and no further spending is introduced.

However, the reality is that the economy will not grow at 1% this year, and that this Budget is fast turning into a bailout budget, with record-breaking bailouts for Eskom, and as we have just heard from the Minister, more bailouts for Denel, SA Airways, SAA, and SA Broadcasting Corporation, SABC, are on the cards.

A bailout budget would smash through Treasury's debt commitments and would hobble our country with higher-than-ever debt service costs, already projected at R277 billion a year by 2023. This would be a failure by the Minister and the department to manage our public debt prudently.

Secondly, the Minister must at all costs ensure that we retain our investment grade credit rating, which we are just barely holding on to with one last agency, and restore our investment grade rating with the others.

Thirdly, he must boost economic growth by driving real structural reforms aimed at building business confidence and driving private sector investments.

Fourthly, he must stabilise public expenditure by implementing a comprehensive spending review and halting any further increases not related to core service delivery.

Fifthly, he must continue as he has done, to stand up for the independence and integrity of the SA Reserve Bank, the SA Revenue Service, Sars, the Public Investment Corporation, PIC, and the National Treasury itself.

The assault on our parliamentary democracy that we saw in this Chamber in the previous debate was exactly the same assault that those who perpetrated it wish to perpetrate against our independent institutions. That must be resisted and fought against by the Minister.

In that regard, I want to congratulate Governor of the Reserve Bank, Lesetja Kganyago, on his reappointment and congratulations to you, madam deputy governor, on your appointment. I wish you best for your tenure.

Finally, the Minister must show that he is serious about the reform of our state-owned entities and I would have hoped that he would have been much firmer and stronger in this regard, this evening, than he has been. The fact of the matter is that he could send a very powerful signal by placing SAA into business rescue immediately and preparing it for sale.

These are the things the Minister must now do, since the government has really run out of other options. It is on these things that we will judge his coming minibudget and the main budget.

Since this is my first Treasury debate, let me set out what my approach would be: The Minister of Finance will have my support so long as he acts in the best interests of building a long-term prosperity through economic growth. When he acts in favour of growth and prosperity, we will back him, even when his own party does not. If he dithers and delays in the urgent reforms we need, or if he gives any appeasement to the enemies of growth, then we will oppose him.

We will also make real alternative proposals both by amending the budget and by proposing new legislation. It is time for some new, innovative thinking on how to get our economy growing. I hope that he will take these proposals seriously and consider them meaningfully.

All of our proposals will be based on our core belief that careful stewardship of the public finances fosters economic growth, and that economic growth delivers real prosperity for all citizens.

We will table amendments to this Appropriations Bill to cut wasteful expenditure and redirect it to: increased police expenditure to help build an honest, professional Police Service; increased health expenditure to bring down infant mortality; improved cancer care and forever prevent a repetition of the Life Esidimeni tragedy; increased education expenditure to provide for new science, technology, engineering and mathematics, STEM, schools; and an additional allocation to the Department of Labour and Employment to provide for the reskilling and training of workers who have lost their jobs.

All of these amendments will be budget neutral, funded by cutting expenditure on wasteful programmes, executive luxuries and simply bad policies.

We will also revive the Private Member’s Bill, introduced by the DA in the Fifth Parliament called the Fiscal Responsibility, which aims to introduce fiscal rules for the first time in South Africa to reduce the budget deficit and our national debt. We will introduce a new Private Member’s Bill along with my colleagues in the Department of Public Service and Administration, to ensure greater accountability and transparency in public service employment, senior appointments and wage agreements.

We look forward to working with the Minister and the Treasury, on these alternative ideas that will bring prosperity to all South Africans. Thank you very much. [Applause.]

The HOUSE CHAIRPERSON (Ms M G Boroto): Hon speakers, please pardon us, our technology is failing us, the clocks are off. However, we do have our clock here. I am sorry for that. They are working on it.

Mr N F SHIVAMBU: There is no problem, House Chair, I will finish. You'll just let me talk when the perspective is clear, I will say I am done. Then you'll know the time has been dealt with.

I want to start by saluting the commissars and fighters, who earlier on took a courageous action against Mr rogue unit for taking that action is courageous. When we did that in the Fifth Parliament, against Mr Jacob Zuma, a lot of people reacted in a manner in which the society is reacting now; saying the EFF is reckless and so on and so forth.

Mr Zuma was later on removed as the President because of the EFF, single-handedly. [Interjections.] [Applause.] When we raised concerns against Nhlanhla Nene, the same issues were raised. We exactly told him in this House that he won't be a Minister of

Finance for a very long time and that happened. He fell on his own sword.

We want to tell Mr rogue unit that he won’t be a Minister for a very long time. At least this is on record. He will fall on his own sword very soon.

Minister, the previous financial statements of National Treasury illustrate that there was irregular expenditure of about R758 million and wasteful expenditure of R67 million. Amongst its many responsibilities is to educate and guide municipalities and other government departments against irregular and wasteful expenditure, but National Treasury is involved in that as well.

There is no believable mechanism to arrest that thus far. I don’t know why the chairperson of the committee never spoke about that when he was speaking about the mechanisms that have to be dealt with. He also never spoke about what we said in the committee, that the process that was followed to appoint the Sars Commissioner must be reported to Parliament so that we can satisfy ourselves that it was thorough.

Let’s leave that. That is obvious. We can’t agree with a Budget Vote that doesn’t have mechanisms on how it is going to deal with irregular and wasteful expenditure.

Let's now deal more substantially with some of the policy issues that we raised during Sona: Firstly, is the establishment of a sovereign wealth fund. I see the Minister of the Department of Trade and Industry is excited about it. It should not be established by the Department of Trade and Industry but must be under National Treasury and be preceded by a joint study tour of both the committee and National Treasury to Singapore and Norway.

When we were about to pass the Twin Peaks legislation around the regulation and oversight of financial institutions, we undertook a joint study tour to different countries. We should do that and then come back with proper legislative framework on how a sovereign wealth fund should be established. Although it is going to play microeconomic roles, there are macroeconomic consequences that will come with the sovereign wealth fund.

The Financial Matters Amendment Act, which was passed last year, somehow permits for creation of state banks. One is that we must expedite the licensing of Postbank into a fully-fledged bank. It currently disburses almost R200 billions of social grants to different individuals. So, it must be brought into a regulatory framework that is outlined in the Banks Act. It is long overdue. It is a logical thing that must be done.

Also, the SA Reserve Bank must as a matter of urgency, exit its ownership of the African Bank and the shares be ceded to National

Treasury. The shares that are owned by a consortium of banks must be ceded to black owners in a proper way that is guided by what should happen.

We must then introduce a new ownership meddle of a state-owned company in terms of what should happen.

About the Public Investment Corporation, PIC, we think we have said it publicly that we don't agree with the appointment of Maria Ramos. She is your friend and her husband is your friend. So, that appointment is nepotistic. It's wrong. We must say this in front of you. We aren't gossiping. Don't put people that are closer to you in the management of extremely complex institutions, particularly the PIC.

The policy issue that is long overdue about the PIC is its investment mandate that you cannot permit and allow government pension funds to be overexposed in a manner in which PIC assets are exposed to Naspers. Two hundred and fifty billion rand worth of shares are owned by the PIC at Naspers. It is like more than 10% of the overall assets under management.

What will happen to government employee's pensions if Naspers follows the same crisis that Steinhoff faced? We are just going to lose R250 billion. The investment mandate of the PIC should be debated in the Sixth Parliament. We had begun to legislate that there must be developmental impact with regard to the investment decisions of the PIC on the people who are depositors.

We had said that government must not outsource its responsibilities in the management of PIC funds because it underwrites all the assets under Government Employees Pension Fund, GEPF. So, you can’t outsource that.

So, your deliberate exclusion of the Deputy Minister from the board of the PIC is problematic. It is actually reactionary. We must say it here. It is not a gossip; it is one of the issues that we have publicly communicated as the EFF. You have to rethink that; and you still have time to deal with these issues much more differently.

Now, you need to utilise fiscal policy and broad procurement policies to drive localisation and industrialisation. That can only happen through the amendment of the existing procurement laws where the state should purchase more than 80%, if not 90%, if not 100% of goods that are made in South Africa. [Interjections.]

AN HON MEMBER: Point of order.

Mr N F SHIVAMBU: That would be an obligatory law with regard to what should happen. We are going to table the law that will discontinue private ownership of the SA Reserve Bank. [Interjections.]

AN HON MEMBER: Point of order, Chair.

Mr N F SHIVAMBU: We don’t understand the excitement around that. [Time expired.] We don’t agree with the Budget because you are not ready to manage the finances, and deal with the wasteful and irregular expenditures that were incurred in the previous financial year. I said I must finish first and then we will conclude from that perspective. Thank you very much. [Time expired.] [Applause.]

Mr E M BUTHELEZI: Hon Chairperson, Minister and members, National Treasury needs to promote transparency, accountability and sound financial competence in managing the country’s finances. It seems as though Treasury is not so much hands-on in making certain that departments actually follow thorough processes in terms of dealing with their finances.

There is no financial and legislative discipline on the part of accounting officers in managing their budgets in a manner which is consistent with the Public Finance Management Act, the Municipal Finance Management Act and National Treasury regulations because consequences are absent in the financial management discourse of this country. Government spending is inconsistent with the needs of this country. The priorities of our government are questionable and financial decisions made by our government have not focused on national needs.

The state-owned entities encountered similar challenges, where National Treasury keeps allocating funds to them yet they are an utter mess. Eskom is virtually bankrupt, Armscor is in disarray, SA Airways has got massive debt, and Denel and Transnet are all tainted by corruption.

As the IFP we have noted the President’s very keen and strong political will to clean up the rot that is running the country to the ground. Yet we feel that that is not enough. Hon Minister, the issue of cadre deployment is a very big challenge that needs to be addressed and prioritised. We find that many individuals tasked with managing complicated and demanding government portfolios and they are placed in those positions based on their political affiliations rather than the competencies that they should have and this compromises the state of our country. The recycling of the same individuals is telling that the country is the least of the worry of those in power. We see little to no consequence management for those found implicated and guilty of corruption. A lot more needs to be done so that we can recover the monies that are squandered and embezzled.

In 2003, Cabinet took a decision to replace the legacy of financial system of government. An Integrated Financial Management System was commissioned by government through the National Treasury. This project has so far cost over R1,8 billion in government-paid expenditure. Parliament has engaged National Treasury over this project and no conclusions in this regard. The Auditor-General, AG has once again announced regressed audit outcomes with just 18 of the 257 municipalities audited receiving clean audits, which is a serious concern that we need to address, hon Minister.

Again, the influence of politics cannot be underestimated. Accountability and ethics come from the top and just like the Auditor-General said, if I may quote:

> If an organisation's leaders are unethical, have a disregard for governance, compliance and control, and are not committed to transparency and accountability, it will filter through to the lower levels of the organisation. Inevitably, a culture of poor discipline, impunity and nondelivery will develop, leading to the total collapse of the organisation.

This is exactly what we are seeing here. I like the analogy that the hon Minister made here of an aloe which is in front of us here, and said that one reason that makes an aloe to be resilient is the fact that it has properties which allow it to do so. And if our country does not have regard for all these pieces of legislation which seek to assist our municipalities' account departments to have sound financial control, we shall never actually be resilient like this aloe. Hon Minister, we support the budget as the IFP. Thank you.

Mr W W WESSELS: Hon House Chairperson, just like the hon President Ramaphosa, I also have a dream. I dream of a sustainable economy – an economy that grows and where wealth is created and where poverty and unemployment are eradicated. I dream of a South Africa where there is policy certainty; where there are policies aimed at creating equal opportunities for all. I dream of a South Africa where policies are aimed at creating a conducive environment for the private sector to create employment, grow the economy and contribute to the fiscus.

I dream of a country without black holes for tax monies such as our state-owned entities. I dream of a country where state-owned entities such as SA Airways and Eskom are privatised. I dream of a South Africa where municipalities, towns and cities function; where there is financial management; where there is funded budgets and where services are delivered to the people of South Africa. I dream of a South Africa that is not a welfare state, where people are kept as dependants on social grants - unsustainably so, for political gains. I dream of a South Africa where there is fiscal commission which functions independently, like the Reserve Bank and determines the VAT rate dependent on state expenditure, in so doing, curbing state expenditure.

I dream of a Parliament that is not only a rubber stamp but an institution that actually scrutinises budgets; where there are no mini-plenaries but actual budget debates where budgets are actually taken and scrutinised; and where the ruling party does not just agree when there are very good contributions and decide to say that they unfortunately cannot amend the budget. I dream of a Parliament where a budget can be amended and where the ruling party realises that it can be amended. I dream of a South Africa where the programmes of National Treasury are aimed at supporting municipalities and provinces, and that they actually bear fruit and then become absolute.

Minister, I dream of a South Africa without e-tolls and overtaxation of individuals and companies, causing a vicious cycle of less expendable income of individuals and companies, and thus creating less spending and a declining economy. I dream of a South Africa without unnecessary corrupt Road Accident Fund as part of the fuel levy but rather compulsory third party insurance for all vehicle owners. I dream of a South Africa where there is actually responsible governance, where National Treasury is not the only department that does something and says what is wrong and what is being done wrong.

I dream of a South Africa where there is no schizophrenic ruling party wherein members of that ruling party in a certain department will say that other departments are wrong, corrupt and are wasting money and officials should be dismissed, and that ruling party actually does that, and is not schizophrenic about it. I dream of a South Africa that is to the benefit of all its residents and not only politically-connected elite. I believe that that dream can come true, but not under the ANC-led government. [Interjections.]

'n AGB LID: Nee! [AN HON MEMBER: No!]

Mr W W WESSELS: None of those dreams will ever come true under an ANC-led government.

We can have the best Minister of Finance, but his strength will not be enough to combat corruption and mismanagement of his own party. The fault lies with the ANC. National Treasury can do just what they want and they are doing a good job, but their programmes do not bear fruit because of the ruling party that is schizophrenic. Municipalities waste money, they approve unfunded budgets and Treasury must appoint technical advisers to our municipalities. Why is that necessary? Why is it necessary to appoint technical advisers if the best people are appointed by the ANC-led council? I thank you. Our dream can come true but without the ANC-led government. [Time expired.]

The DEPUTY MINISTER OF FINANCE (Dr D Masondo): Hon House Chairperson and hon members, I am grateful to participate in my first Budget Vote debate on the National Treasury. [Interjections.]

HON MEMBERS: No heckling!

The DEPUTY MINISTER OF FINANCE (Dr D Masondo): Although we face many challenges, if we take a step back and reflect on what we have achieved in the 25 years of democracy, we have much to be proud of. As we proudly celebrate our milestones, our country has in the recent past gone through a difficult period. But I believe the rebuilding efforts we are currently undertaking demonstrate our resilience and a remarkable capacity for self-correction.

In my brief remarks, I will focus on two issues, firstly, restoring our fiscal strength; and secondly, highlighting achievements and plans of the entities under the mandate of the National Treasury. Hon members, the fiscal strength of any country depends on economic growth, without which there will be no employment and state revenue necessary to serve our people. Economic growth depends on the investment rates which have been low since the global economic crisis. At the moment, our fiscal system remains at risk because our Growth Domestic Product, GDP growth and levels of investment have been low for the reasons that the Minister has already outlined. Restoring our fiscal strength is necessary in order to continue providing needed services in our society and to create conditions for inclusive growth. Madam Chair, we are saying inclusive growth because growth can be jobless, growth can be exclusive in racial, gender and class terms.

Government remains committed to a stable debt path, including by slowing the increase in debt service costs and addressing spending performance. At the same time, we need to restore the financial viability of our SOE’s. As the Minister said, additional financial injections to stabilize SOEs cannot be unconditional.

The state-owned companies will be expected to implement stricter conditions for future financial support; implement the new framework for the structure of these entities; and work towards introduction of more private sector participation in the spaces in which they operate.

Madam Chair, let me turn on the second issue of my remarks today which is institutions. Good institutions matter in the economic development. Imagine a South Africa without an efficient revenue service like SA Revenue Services, Sars. Where will we get the money to invest in our education, health and infrastructure? Where will the money come from if we have no efficient Sars?

Institutions provide predictable rules which are important for the investors. There are no investors who will invest in a country without predictable rules and institutions that are working.

In rebuilding our institutions, we will also entrench institutional culture of professionalism, transparency, accountability and sustainability. These are important values for critical building of a developmental state.

National Treasury is responsible for 16 entities. Let me outline some highlights of the achievements and future plans of a few of our entities. In the interest of time, I will only focus on four entities, but will be pleased to provide a detailed report to members for each entity.

The SA Revenue Service, despite its recent challenges as the Minister has indicated, remains one of our state institutions that resemble important features of a developmental state in the democratic South Africa. A democratic state must have internal capacity to ensure institutional and policy coherence. It requires competent bureaucracy operating on predictable and impersonal rules. Sars has new leadership at the helm, and they are managing a turnaround strategy to restore good governance and integrity of that institution.

Over the next year, Sars will adopt a strategic focus in making it easier for citizens to fulfil their tax obligations, while strengthening its enforcement capabilities to pursue all those who violate our tax system and laws. The immediate focus will be on closing the tax gap and recovering lost revenue. In addition to implementing the findings of the Nugent Commission as the Minister has indicated, Sars management is also taking more proactive steps to fight the activities in the illicit economy.

Following the amendments to the Financial Intelligence Centre Act in 2017, the National Treasury and the Financial Intelligence Centre, FIC, ushered in a new approach to the implementation of measures against money laundering and terrorist financing, which require businesses to identify and put in place measures to mitigate against criminal usage of their products and services. Close working relationship between the FIC, the criminal justice system and other competent authorities will enable us to provide essential financial intelligence to fight this crime.

The Development Bank of Southern Africa, DBSA, continues to upscale its support of infrastructure in an effort to contribute to economic growth and development. National Treasury is working with the DBSA and the Department of Public Works and Infrastructure to put into operation the Infrastructure Fund, which will finance large infrastructure projects through blended finance. In 2019-20, the DBSA will continue supporting municipal infrastructure, especially in poor areas. The bank will also support projects being undertaken by SOEs and public-private partnerships.

The Public Investment Corporation, PIC, manages the assets of the Government Employees Pension Fund, GEPF, the Social Security Funds, and other smaller funds. The PIC will continue to fulfil its mandate, as outlined in the law and according to its performance plan. The PIC manages over R2 trillion worth of assets in a well-diversified portfolio of investment. The corporation will invest

R9 billion towards development property investments, including new developments, refurbishments and upgrades, and rural development investments.

Finally, the lifespan of the Commission of Inquiry into allegations of wrongdoing regarding the PIC, which was appointed by President Cyril Ramaphosa in October 2018, has been extended from its original termination date of April 2019, and a final report is now expected on the 31 July 2019. Let me join the Minister and other hon members in congratulating the newly-appointed interim PIC Board; and the appointment of the new Deputy Governors; as well as the re-appointment of Governor Lesetja Kganyago.

In conclusion, Madam Chair, we must indeed restore the integrity of our democratic institutions. Central to this is a government that is capable of meeting its obligations to the citizens of our country. Therefore, we must restore fiscal strength and debt sustainability for the sake of both our current obligations and intergenerational fairness. I thank you. [Applause.]

Mr S N SWART: Hon House Chair, hon members, may I firstly also congratulate the Governor of the Reserve Bank for his reappointment and the appointment of the Deputy Governors; and I would like to congratulate the Minister on his reappointment as well. We also look forward to working together with him. I have mentioned earlier to him that I was looking forward to him quoting some scripture this time because he quoted them in the previous Parliament. We look forward to that as well in your next address, maybe in the response. I remember you referring in the beginning of the year to certain scriptures and my retort to that. We look forward to that as well.

Malibongwe igama leNkosi! [Kwahlekwa.] (*Translation of isiXhosa sentence follows*.)

[Praise the Lord! [Laughter.]]

House Chair, the country is undoubtedly faced with a number of crises and whilst we in the ACDP are eternally optimistic, we are facing crisis of politics, economics and confidence which is hampering our potential for economic growth. This, together with load shedding which, many say was caused by Eskom, resulted in a 3,2% contraction in economic growth in the first quarter of this year.

It is evident that policy uncertainty and political factionalism will continue to undermine growth and that any real reform measures or attempts at renewal will proceed haltingly and be met with fierce resistance as we saw how Minister Pravin Gordhan has been targeted and the disgraceful conduct we saw earlier in this House. Hon members, I think it is disgraceful for hon Shivambu to come and justify that conduct here and we look forward to a parliamentary enquiry in that regard. This country can ill afford as many, many people watched what happened and we, as leaders in this Parliament need to set the example.

The gross domestic product, GDP, contraction, as we all know results in revenue estimates falling far short of the targets, which will in turn result in debt projections being out of sink and escalating. We have already seen the revenue shortfall from the previous year was more than R42 billion, which is way above projections. That places severe challenges and severe pressures on debt consolidation path that we are supposed to be following. It is concerning when we seem to see more bailouts; we do understand the need for them but it is a matter of great concern.

When one looks at the issue of Sars and I was very interested when the Commissioner Kieswetter - congratulations to him on his appointment - presented to the committee and we saw the hollowing art of Sars. We commend him and the measures he has taken to re-establish the integrity of Sars. We welcome the establishment of the large business units and other compliance units that have been set up. But, it is very important that, as the Commissioner indicated, surely it is not just sufficient to re-establish. When one looks at the hurt of the personnel and the damage to the integrity of the unit, further steps must be taken and we look forward to those steps being taken in that regard.

In the earlier debate we discussed the whole issue of SOCs and they remain a deep concern to us. I see that my time is very limited but I would like to emphasize this one aspect that I referred to in the earlier debate and that is: Minister, if you are able to give additional funding to the Asset Forfeiture Unit and the Special Investigating Unit, they have the ability to collect billions. However, we have seen baseline cuts, understandably. If you give them more funds they need to be able to do forensic enquiries, they can, as the Minister indicated earlier, that they have special tribunals. They can collect billions of rand but they do not have the capacity. Let us see if we cannot give them additional funds because they will be able to collect funds and it is a win-win situation. Let us all capacitate our FIC and the NPA, as they are doing an excellent job in bringing those persons accountable but we need to see people being jailed for corrupt activities. I thank you. [Time expired.]

Ms M D MABILETSA: Hon House Chair, hon Minister, hon Deputy Minister and all South Africans, the ANC's economic vision rests on the Freedom Charter's call that "the people shall share in South Africa's wealth." Through economic transformation we intend to build an equitable society in which there is decent work for all. In the face of such challenging economic conditions, the ANC welcomes the very adroit budget presentation by the Minister of Finance in February 2019, which carefully and sensitively balances the need to stimulate economic growth, reduce wasteful expenditure, contain debt, increase revenues and protect the poor. Implemented effectively, this budget will stimulate job creation, reduce inequalities, and advance radical socioeconomic transformation.

We emphasise that transformation calls for more than growth alone. It requires a fundamental shift in the way wealth is created and shared to address the triple challenges facing our country, i.e. unemployment, inequality and poverty. The budget carries forward and provides details on President Cyril Ramaphosa's 2018 state of nation address message of unity, renewal and hope. In an effort to revive the South African economy, government is maintaining the main Budget expenditure ceiling, retaining national departments compensation ceiling and avoiding any increases in major tax instruments, over the MTEF. To ensure that the expenditure ceiling remains intact, reprioritization of R32,4 billion shifts funding from nonperforming areas to fund the upgrading of informal settlements and President's economic stimulus and recovery plan.

According to the National Development Plan, NDP, we seek to eliminate poverty and reduce inequality by 2030. We seek a country wherein all citizens have the capabilities to grasp the ever-broadening opportunities available. Our plan is to change the life chances of millions of our people, especially the youth, life chances remain stunted by our apartheid history. Despite new spending pressures and reductions, the budget remains strongly redistributive. We note that about 68% of consolidated expenditure goes towards social commitments including education, health, social grants and basic services. These services and transfers, provided by all spheres of government, will enable South Africans to access opportunities and live with dignity. The ANC-led government aims to realize the full potential of South Africa's economy and people and to mobilize the resources of the state, business enterprises and the wider community in a partnership of trust and mutual respect. This is also emphasized through the mission of the National Treasury to support economic growth and development, good governance, social progress and rising living standards through the accountable, economical, efficient, equitable and sustainable management of public finances, maintenance of macroeconomic and financial sector stability, and effective financial regulation of the economy.

The budget also provides for the National Health Insurance, NHI, which remains a priority of government. The NHI will enable South Africans to receive free services at the point of care in public and private quality-accredited health facilities. By applying the principle of social solidarity and cross-subsidization, the NHI will reduce inequality in access to health care. Government's social protection system has assisted greatly in reducing poverty and inequality by issuing social grants and providing social welfare services for vulnerable groups. It is expected that by 2021-22, the old age grant will reach 4 million beneficiaries, while child support grant will reach an estimated 13,1 million beneficiaries, over the same period. In this current economic climate, it is noted that some families survive through the pension payouts and grants. The 53rd ANC Mangaung Conference resolved to taking economic transformation to new heights by fast-tracking the development of entrepreneurs, small and medium entities, including 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-based empowerment.

For renewal to have a far-reaching transformative impact, the ANC has to propel the process of eradicating unemployment, poverty and inequalities in our society by dealing with structural manifestations of colonialism of a special type. It must further ensure the mainstreaming of women in the economy across all sectors as a deliberate commitment to increase their access to finance, employment, and assets. President Ramaphosa, during 2018 state of the nation address, also announced a plan regarding budget reprioritization and more effective spending. During the Medium-Term Budget Policy Statement, MTBPS, in October 2018, spending was projected to be R5,9 trillion over the medium term. Spending was expected to grow faster than inflation. In line with President Ramaphosa’s proposed reprioritization, there were changes to grant structures and in-year allocations amounting to more than R50 billion. Of this amount, reprioritization of R15,9 billion goes towards infrastructure programmes, supporting industrialisation, and the Expanded Public Works Programme. An additional R16,5 billion of reprioritization will be allocated to various programmes, including funding to restore capacity at the Sars.

Agriculture is seen as an important driver of our economic recovery and therefore, the Land Bank will continue to support emerging farmers. The ANC commends efforts by the National Treasury of supporting the Land Bank, through reprioritization, to conclude transactions worth R16,2 billion over the next three to five years from 2019, that will create jobs in agriculture. A significant portion of the funding is aimed towards export-oriented crops that are highly labour intensive. Since 2011, municipalities have completed over 270 projects to the value of R3,7 billion, funded through the Neighbourhood Development Partnership Grant. This has attracted over R8,7 billion of private investment in the township. In Tembisa in Ekurhuleni, public investment to the value of R125 million in roads and transport infrastructure has enabled access to social and economic facilities. The investment will attract an estimated R3,5 billion of additional public and private investment in commercial, retail and residential developments. In Msunduzi Local Municipality, over R77 million in public investment in the Edendale Urban Hub has already attracted private and public sector investment in excess of R1 billion. The ANC notes and welcomes the fact that National Treasury plans to continue to rolling these out in other parts of the country. The ANC therefore supports this budget. [Time expired]. [Applause.]

The CHAIRPERSON (Ms L S Makhubela-Mashele): I now invite the hon Shaik Emam. Before you begin hon Shaik Emam, hon members, may I remind you that according to the set of rules which you have agreed to abide by, members are not allowed to take pictures and selfies in the Chamber.

Mr A M SHAIK EMAM: Hon Chairperson, Minister, Deputy Minister, colleagues and members in the gallery, allow me to welcome the report of the National Treasury. The NFP supports this budget. [Applause.] It is the right thing to do if you want to take the country forward. The National Treasury is the custodian of our finances and it has a very important role to ensure it maintains the highest level of accountability and good governance principles. Unfortunately, I think when we talk about the Integrated Financial Management System that says something else. Minister, you will agree. But remember we had a similar problem with the eThekwini Municipality. It is exactly the same thing. Now it is going on and still not sorted out anyway.

But some of the challenges that I have identified is that we have a budget of about R1,5 trillion and R600 billion is going towards compensation of employees. An amount of R240 billion is going to debt service costs.

In terms of what I have identified as the NFP and your former chief procurement officer, we lose about 40% on goods and services for not getting value for money starting from the ground. So, that is how much? Another R240 billion is now going to R300 billion. The question is, how much of our resources are really going to delivering services to the people on the ground if you take that away? Added to that is the fact that it starts right from us, Minister. If you read the media report not long ago, the funds that we give for constituency offices which I have mentioned many times, have no control measures in place.

Let's talk about R25 million that was given to a particular political party in this House, where there are question marks of audit statements. Nothing is happening about it. We talk about international travel and hotel accommodation. Shouldn't we, given the economic situation of the country, put cost containment measures and cut down on these? We really need to do it. I can assure you Minister that it is not going to affect our work even if you cut costs. Really, it's not going to do that.

Let me also talk about the illicit financial flows. There are a lot of resources in South Africa. Money is available and is floating around. People are not paying taxes. Foreign businesses are not paying taxes. Everyday millions of rand are leaving the country without paying tax. There are no control measures from the local municipal level to ensure businesses are reduced to pay those taxes.

Recently, I had an opportunity wherein I was called to intervene in a business transaction. Two million rand in hard cash – R200 notes exchanged hands from selling one business to the other. Where are the control measures? We need to look at these things. There is a lot of money ... [Time expired.] Thank you very much. The NFP supports the report tabled here. [Applause.]

Dr D T GEORGE: Chairperson, four years ago, in May 2015, I spoke in the debate on the National Treasury budget. Unlike other emerging economies, our economy had not recovered from the great recession that followed the global financial crisis. And our unemployment rate, especially our youth unemployment, was climbing. Nothing has changed. Our economy continues to underperform its peers by over 4% points teetering on the brink of recession. Our debt has spiralled and unemployment levels present a significant risk to our social stability.

This bailout budget aimed primarily at keeping the broken state-owned enterprises afloat does nothing for economic development and nothing for millions of our people who remain unemployed and in poverty. We needed a bold budget with significant cuts to government expenditure and coherent policy interventions aimed at raving up our economic growth. Instead, we got more of the same.

The so-called developmental state remains our President's dream. He dreams of a functional state, intervening in our economy, achieving bullet trains and building a new city on a hill. Economic policy remains incoherent and hundreds of billions will be thrown into the bottomless pit of broken state-owned enterprises while our economic growth continues to slide.

The Western Cape economy, however, continues to power ahead with strong investor confidence and the lowest unemployment rate in the country. We have seen what a functional government with coherent economic policies can do. Sadly, we have neither.

Four years ago Tom Moyane, handpicked by the ANC-led government to serve as the SA Revenue Service, Sars, Commissioner had already started destroying Sars. His brief was clearly to bring Sars to the heel of his political masters by evading their tax and raiding the people’s money with refunds that they didn’t earn. We don’t know how much was stolen, likely billions, but we do know that it can be accurately calculated and the perpetrators prosecuted if there is political will. Once the envy of other tax jurisdictions, Sars’ domestic and international reputation lies in tatters. This immeasurable damage cannot be calculated and directly impacts on our economic prospects.

To ensure the utter destruction of any capability of Sars to hold the politically-connected and corrupt to account, a narrative on a so-called rogue unit was fabricated. The SA Revenue Service always had, and should have, capacity to investigate and hold to account tax evaders who enrich themselves at the expense of the most vulnerable members of our society. At the time, Tom Moyane claimed that hundreds of millions were spent on the so-called rogue unit and that the funds were never accounted for. We still do not have a clear explanation of what Sars' capacity to address organised tax evasion is and how it is funded.

The ANC-led government behaves as if it has collective amnesia. The new Commissioner, whose appointment we welcome, has spoken very frankly about what he has found at Sars and it is far worse than we thought it could get a few years ago. The Commissioner has described broken and traumatised people who are expected to collect the revenue that we need to fund basic service delivery to poor and vulnerable people. The significant undercollection of estimated revenue materially affects the fiscal framework negatively.

Four years ago, I raised the fact that the committee chairperson at the time, Yunus Carrim, had hidden a letter that the former Sars spokesperson had addressed to the committee. This negatively impacted on our ability to interact with Tom Moyane when he appeared before the committee. Such were the extraordinary lengths that the ANC took to cover up the political infection of Sars by a government rotten to its core. Now it behaves as if it is surprised by what has happened and will do its utmost to fix what it has caused and broken.

The social contract between government and taxpayers is crucial to public financial wellbeing and that contract is more strained now than ever before. It has always mattered to taxpayers that government spends their hard-earned tax contributions irregularly and wastefully. The collapse of Sars, first denied and defended by government, and now publicly displayed and bemoaned, is a tax morality dealbreaker for many and that can't easily be fixed if ever.

During my time serving on the Standing Committee on Public Accounts, Scopa, I learnt first hand that nobody ever gets held to account. One set of thieves replaces another. There is much noise about holding the previous crowd to account and then it all starts again. Nothing has changed. [Applause.] Our economic picture is not healthy. Government overspending continues unabated, the revenue shortfall grows and the deficit widens. Repayment of increased borrowings to fund that shortfall crowds out spending on basic service delivery.

The politically-motivated collapse at Sars is merely a manifestation of a government rotten to its core. Government remains oblivious to the fact that it has no money of its own and that it all belongs to the people. No matter how much shock is expressed and how much lip service is given, nothing has changed.

A DA-led government will create a vibrant and economically-flourishing environment by curtailing government expenditure, kick-starting entrepreneurial economic activity and growth and dismantling failing state-owned enterprises. A DA-led government will focus on quality education for every South African, root out corruption, cronyism and nepotism and enable every South African to become everything that they are capable of becoming. Until then, nothing will change. Thank you, Chairperson. [Applause.]

Num G J SKOSANA: Sihlalo ohloniphekileko, ngithathe ithuba leli ngilotjhise umhlonitjhwa uNgqongqotjhe wezeeMali, umhlonitjhwa iSekela-Ngqongqotjhe lezeeMali, amalunga ahloniphekileko weNdlu le yesibethamthetho, iintatanyiswa ezikhona nesitjhaba soke seSewula Afrika, ngiyanilotjhisa entambama. *(Translation of isiNdebele paragraph follows.)*

[Mr G J SKOSANA: Hon Chairperson, I would like to take this opportunity to greet the hon Minister of Finance, hon Deputy Minister of Finance, hon members of this august House, dignitaries who are all here and the South African nation as a whole.]

Hon Chairperson, South Africa has evolved in a remarkable way in the past 25 years. The country has emerged as a constitutional democracy after an oppressive system marked us as a pariah state, shackled by sanctions, and fraught with internal conflict and prejudice. The high-level investment in key institutions which are critical to revenue generation like South African Revenue Service, Sars, is to build the peoples’ confidence in the taxation system and their contribution towards this.

These are all part of improving the investment climate by strengthening governance in institutions and removing policy bottlenecks. This builds upon restoring good governance and financial stability at public institutions and state-owned enterprises. His Excellency President Matamela Ramaphosa, when opening the SA Investment Summit 2018, said, and I quote,

> We have replaced the leadership in several state-owned enterprises, ensuring that we have people with experience, integrity and the relevant skills who are now leading the development and implementation of sustainable business models.

Hon members, tax revenues are critical to the functioning of any democracy. Lower tax collections have serious consequences and can impact on everyone, whether it be through lower expenditures on education or health, or through increases in tax rates to make up for shortfall. The ability of a government to borrow at reasonable interest rates is also dependent on its ability to collect taxes.

Tax is woven into the fabric of civil society. In essence, the implicit social compact between the state and those who use a country’s resources as residents or as traders provides the moral and legal justification for paying and enforcing payment of taxes.

The elements that make up this social compact between the state and people of South Africa changed dramatically in 1994. The South African Revenue Service, as a semi-autonomous organ of state was created in the early years of the birth of democracy in this country and has matured over the last 20 plus years to become a tax and customs authority that is lauded for its professionalism and efficiency.

Fellow Citizens, the economic context within which we operate in South Africa is heavily influenced by global developments. The economy is not growing as expected, affecting the capacity of government to address the various challenges, chief among them being job creation, especially for the youth.

Government has announced a number of interventions to stimulate the economy and to cushion the poor from some of the negative impacts, such as the increased cost of living. Actions are also underway to address governance issues across government departments, agencies and state-owned enterprises. All these efforts are aimed at ensuring that South Africa is viewed as an attractive and competitive market for trade and investment which will in turn translate into enhanced returns for South African companies in the local and global markets. This will have a direct impact on enhancing economic growth and improving prospects for millions of South Africans who yearn for a better future for themselves and their children.

Tax revenue collections depend on improved tax compliance and strong economic growth. As a state, our focus is very much on fiscal consolidation. We note that Cabinet has constantly reiterated that we cannot spend the money we do not have and we cannot borrow beyond our ability to repay. Until we can ignite growth and generate more revenue, we have to be tough on ourselves. This underlines the vital importance of Sars meeting its revenue collection target.

Hon Chair, the co-operation between financial institutions, public, law enforcement agencies and other government agencies is critical in dealing with illicit financial flows. The Financial Intelligence Centre, which is housed in the National Treasury, is a significant tool for monitoring the financial sector, but it’s limited to monitoring the formal financial sector.

The financial sector has a high level of compliance with the Financial Intelligence Centre Act. The Act and recent amendments give the Reserve Bank significant powers to monitor transactions and require banks to report suspicious transactions. The legislative framework also creates room for greater co-operation among the three institutions - the SA Revenue Service, the SA Reserve Bank and the Financial Intelligence Centre - in order to connect the dots and pick up patterns regarding money laundering, tax evasion or fraud.

Hon members, the 54th ANC Elective Conference resolved that, I quote: “Government must urgently crack down on tax avoidance and illicit capital outflows”. The ANC’s vision for South Africa is that of a society based on democratic values, social justice and human rights, and a democratic and open society.

Transparency and certainty are characteristics of a good tax system. The Tax Administration Act sets out precise methods and standards for tax administration to be fair, transparent, equitable and predictable. The budget has assured us of greater prospects for investment and focus on inclusive growth and investment in social infrastructure and, in particular, local government infrastructure.

The commitment to investing in the economic zones located either in or next to townships can only be good for job creation, especially for the youth and women. We are confident that the budget will assist to position South Africa well with investors and rating agencies. We are hopeful that the budget has clarified and instilled some sense of confidence to investors and rating agencies in our country ... cheers!

Hon Chair, before I sit down I think it is imperative to comment on some of the things that other members raised. I heard hon Hill-Lewis - we really welcome his comment that, on behalf of the DA, he is pledging support to the Minister of Finance and the department in making sure that they are able to deal with challenges facing the department and the country at large.

However, he also sounded negative by saying that the economy is not going to grow by 1% this year. We need not be that negative. I think, hon Hill-Lewis, you said it in your own words that the Minister is a hard worker. So, since the Minister is a hard worker, I think he needs the support of all political parties, especially of this Standing Committee on Finance. So, we call upon the DA and all other political parties to support the Minister in order to deal with all the challenges and ensure that the economy grows with that 1%.

I was very disappointed with the hon Shivambu. When he came here, I expected that he was going to apologise for what happened during the debate of the Public Enterprise. [Interjections.]

The CHAIRPERSON (Ms L S Makhubela-Mashele): Order, hon members!

Mr G J SKOSANA: I thought it happened because hon Shivambu and hon Malema, as leaders of the EFF, were not here. I am very much disappointed that he is condoning that and describes it as a courageous act.

Well, members, it is surprising because when hon Minister Gordhan was a member of the Portfolio Committee on Public Enterprise, he was the darling of the EFF. They used to describe him as one of the few ANC members who are revolutionary and who are fighting corruption and state capture. But, immediately hon Gordhan was appointed as a Minister, he became an enemy to the EFF overnight. So, we do not know what it is they were expecting from the appointment of Mr Gordhan because they are continuously attacking him. It is very much unfortunate, Chairperson.

Hon Chair, I think the EFF needs to ...

The CHAIRPERSON (Ms L S Makhubela-Mashele): Hon Skosana, a moment.

Mr N F SHIVAMBU: Point of order.

The CHAIRPERSON (Ms L S Makhubela-Mashele): I note you, hon Shivambu.

Mr N F SHIVAMBU: On a point of order: You know, in terms of the parliamentary Rules, you must speak to what we are debating. First, he is debating the budget. This is not the budget but a Budget Vote, which is different from the budget.

The CHAIRPERSON (Ms L S Makhubela-Mashele): Hon Shivambu, that is not a point of order, but a point of debate.

Mr N F SHIVAMBU: I think he must go for induction so that we can educate him properly about these things. What you are saying is out of context. Do not expose your stupidity here.

Mr G J SKOSANA: A Budget Vote is part of the budget, hon Shivambu. Hon Chair, I think the EFF must go to a bosberaad and rethink what they want to do in this Parliament. You can't oppose everything. A good political party is one that will oppose when it is necessary but will also give credit where it is due. The EFF is opposing everything. So, you need to go to a bosberaad and rethink and decide what it is exactly that you want to do in this particular Parliament.

The hon George is raising the issue of the rogue unit and all these other particular issues. I think we know the findings by the Public Protector. However, as you know, in terms of the separation of powers and responsibilities by different arms of state, you know that the Public Protector has written to the President as the Head of the executive. So, we have confidence in the Office of the President that it will be able to handle that matter. We also have confidence in the Office of the Public Protector because it is a Chapter 9 institution and it is us who advocated for the establishment of all Chapter 9 institutions. Thank you very much, hon Chair. [Time expired.] [Applause.]

The MINISTER OF FINANCE: Madam Chair, thank you very much for the opportunity to come back to the podium. I’m sorry my shouting skills are rather short; so I hope you can hear me.

The Deputy Minister and I have concluded the allocation of responsibility between the two of us. So, one of the things that he’s going to be doing is to start the process of the formation of a state bank. We’ve got a huge responsibility that the ... [Applause.] ... it’s a matter of responding to a cry amongst our people and that cry fundamentally has to do with the discriminatory nature of the established banking institutions. So, there has to be a response. It is a big task that he has there.

Secondly, let me deal with the matter of the illicit economy in particular, illicit financial flows and the illicit tobacco market. This is a matter that we’re dealing with, with the Sars and the Financial Intelligence Centre. They should be able to come to some conclusion. But, this is a permanent warfare. It’s not going to end easily.

Sars is already on its way to recouping a significant amount of revenue from the danger that was posed by the illicit tobacco market and we are making great progress there. You know, these fellows have become so brave that some of their factories were identifiable at the Marlboro off-ramp, openly producing cigarettes illegally but that has been taken care of.

The illicit financial flows have a lot to do with the need to find cooperation from some of the tax havens such as the Isle of Man because that's where most of these activities run through. In my previous function in the private sector as chairman in one of the companies, I felt that I was not receiving sufficient information about the operations of our office at the Isle of Man. So, I eventually got into the plane and went there. As I was arriving at the airport, I was met by some advertisements of South African banks at the Isle of Man. So, we are dealing with that.

On municipalities, truth be told, the management systems of these municipalities, the calibre and technical capacity of some of the municipalities are very poor. That's the reality of the situation. In some instances, if you ask someone who is in the municipality basic things like, where is the water treatment plant, and how is the sewerage system working? I have been charged huge amounts by my municipality for electricity that I have not used because I have a solar system; but then I got a charge for electricity, which is quite funny.

So, the technical capacities more often they are the … actually I do have a little bit of electricity from the municipality but it's dual; the bulk of it is solar and then in case something happens.

The fact of the matter is - and we must all admit in this House and do something about it – that there is a lot of political interference in the municipalities and we have to deal with all of that. Hon Shivambu, I know you like to travel a lot, which is fine. So, you might want to go to Norway, Singapore and so on. You really don’t need to do that. You can do desktop research; it’s very simple. If the desktop research is not sufficient, you could ask the Norwegian Ambassador for some information. So, you don’t need to travel. All this international travelling might not be necessary.

I wanted to end off by saying to the committee that I really appreciate the recommendations that you’ve made; they need to be attended to. That thing of the IT system in the National Treasury is being attended to and has to be attended to more.

But, I thought that one of the things that we need to do as we take part in this debate is just to have the backdrop a bit about the nature of our society which has changed. There have been massive changes in our society. Sometimes I feel that our debates are stagnant, and they are based on what the country looked like 10 years ago. The country has changed a lot and the changes are, amongst other things, the massive population movement away from the countryside into the semi-urban, urban areas and major cities. That’s a reality. That’s why even when we talk about certain policies and what we need to do, those must be based on the scientific reality on the ground and not on some sort of yesteryear way of thinking.

Secondly, it has to do with the massive structural changes that have occurred in the economy. Tertiary sector of the economy is about 60% of gross domestic product, GDP. There is no longer mining, agriculture and old-style manufacturing. And, these massive changes in population and the structure of the economy dictate that we change our mindset and ways of thinking. Otherwise, we will never resolve the major structural issues that we confront. [Interjections.]

AN HON MEMBER: That sounds like the ANC.

The CHAIRPERSON (Ms L S Makhubela-Mashele): Order, hon member!

The MINISTER OF FINANCE: Okay, have you finished fighting now? Thanks if you have finished fighting so that I can proceed. So, these massive changes and these requirements of the tertiary sector of the economy are not quite in sync with the education outcomes that we get. The consequence of this will be increased unemployment. And, we have to attend to the relationship between the changed structural mix of the economy and the skills sets that we need.

I thought that as we debate all of these things, that background was very important. But Madam Chairperson, I'd like to thank the members for their most invaluable contributions and I thank you very much indeed. [Applause.]

Debate concluded.

The mini-plenary session rose at 20:56.

____

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

Please click on the following link to access the relevant Announcements, Tablings and Committee Reports for this day.

https://www.parliament.gov.za/parliamentary-papers?sorts[date]=-1