



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

**SPEAKING NOTES BY DAVID MASONDO, DEPUTY MINISTER OF FINANCE AT THE
STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA) MEETING ON
BLACKLISTING COMPANIES**

DATE: 09 MARCH 2022

Chairperson of the SCOPA, Honourable Hlengwa and Honourable members,

The restricting (popularly known as blacklisting) of companies and individuals that are implicated in corruption, malfeasance, non-performance and malpractices while doing business with government; is an important step in fighting corruption and to entrench a culture of good governance throughout the state and its entities.

When and why do companies get blacklisted?

There are two main reasons why companies are blacklisted by our government. The first reason is when companies or suppliers of goods and services engage in corrupt and other malpractices such as non-performance and irregular activities.

The second reason is when a court of law has ruled that a company should be blacklisted.

Scourge of corruption

The common thread in the circumstances that lead to blacklisting is mainly underperformance (incomplete projects) and corruption.

It is a well-known fact that individuals in private companies and in the state engage corrupt activities.

Why corruption is bad?

Corruption is a major problem in our country, not only because it robs the poor of services, but it also deters investment. If investors know that they have to incur an extra cost to get certain things done, they would not invest.

Corruption affects our ability to raise tax revenue. If a government official lets goods pass through the border without paying official duties, both the company concerned and state officials deny South Africans tax revenue.

Corruption kills entrepreneurship. If a company established yesterday, and tomorrow obtains a tender, it kills SMMEs.

How does blacklisting help with fighting corruption?

Blacklisting of individuals and companies helps by achieving two things:

- a. firstly, it acts as a deterrent and punishment; and
- b. secondly, it inspires confidence among more companies that the state does its business in a fair and competitive manner.

Poor-performance enabled by the state

We are aware that there are instances in which poor performance by companies is as a result of poor project management.

ESKOM - **Medupi and Kusile build program** - is a classic example of how poor project management can create cost overruns leading to possible corruption. ESKOM debt was R255billion in 2014, and increased to R450bn in 2019 largely due to cost overruns.

Failure to pay in 30 days create cash-flow problems leading to companies failing to efficiently provide goods and services to the state. **In this regard, we need to craft regulations that punish accounting officers who fail to pay companies within 30 days. Companies are going bankrupt because we have left the payment within 30 days to the whims of accounting officers who fail to pay within the prescribed time.**

Filling of vacancies

In the recent past, we have had vacancies in the key strategic positions that should be contributing towards the development and enforcement of our regulations to combat corruption. I am pleased to inform you that on Monday, we had interviews for the appointment of the Chief Procurement Officer and that of the Accountant General.

Honourable members, I now hand over to the Acting CPO, Molefe Fani who will go into detail on how blacklisting is administered.

Thank you Chair.