



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

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**BUDGET VOTE 8**  
**NATIONAL TREASURY: THE PILLAR OF THE STATE**  
**DEPUTY MINISTER OF FINANCE DR DAVID MASONDO, MP**  
**20 MAY 2021**

*Check against delivery*

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House Chairperson,

Chairperson of Standing Committee of Finance, Honourable Joe Maswanganyi, and  
the committee members,

Honourable Members of Parliament,

The Minister has spoken at length about the steps we are taking to restore the sustainability of the public finances as we recover from the pandemic. Fiscal sustainability is an important part of economic growth.

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

Operation Vulindlela is not about developing new plans or identifying new reforms. It is about implementing reforms that we have already agreed upon. These structural reforms are implemented by line function departments and their entities. If there are disagreements between ourselves as OV and reform implementers on how these reforms should be implemented, these get escalated to the Cluster, Cabinet, or the President for resolution.

Reforms in the electricity sector are urgent because reliable and affordable supply of electricity is critical for our economic growth and recovery path. The Departments of Public Enterprises and Mineral Resources and Energy have made much progress with the implementation of reforms in this sector, such as the restructuring of Eskom, the issuing of bid window 5 for the procurement of more power from independent power producers, and the procurement process for emergency power.

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

The recent measures undertaken by government to bring additional energy into the system, include:

- a. The recent gazetting for public comment of a draft amended Schedule 2 to the Electricity Regulation Act,
- b. raising the licensing threshold for embedded generation from 1 MegaWatts to 10 MegaWatts.

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

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

We have also been prioritising reforms in the freight transport sector, given its key role in our economy. In 2020, the World Bank ranked 351 ports internationally in the Container Port Performance Index publication. We are concerned that our major container ports were ranked in the last 5.

The poor performance of our container port terminals has a major impact on the competitiveness of our exports and the cost of our imports. It also has major implications for our manufacturers' input costs. I recently visited a local fibre cable manufacturing company and I was shown the large extra volume of input materials they have to keep in stock, due to the unreliability of our container ports.

This must change and it will. To be globally competitive, companies operate on the just-in-time principles in which all inputs are supposed to arrive on time for production of goods.

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

The provision in the National Ports Act of 2005 for the corporatisation of the Transnet National Ports Authority was aimed at providing it with a degree of independence to enable it to treat all port operators equally and to invest its profits in the ports. However, there has also been policy contention within government regarding implementation of this structural reform, with the potential benefits in terms of port competitiveness being weighed up against the financial risks to Transnet. Together with the Department of Public Enterprises, Operation Vulindlela has been carrying out research on the implications and advantages and disadvantages of this structural reform, with a view to assisting Cabinet to reach a decision on this matter as soon as possible.

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

infrastructure. The key challenge in implementing these reforms has been a lack of technical capacity in the Department of Water and Sanitation. Operation Vulindlela has therefore facilitated technical support in the form of business process reengineering expertise to the Department to assist it to redesign its water-use licensing processes to make them more efficient and effective. We have also facilitated financial and legal expertise to the department to assist it to develop the business plan and Bill for the establishment of the national Water Resource Infrastructure Agency.

In the digital communications sector, we are focusing on reforms aimed at reducing the cost and increasing the quality of digital communications. These include the auction of additional spectrum by ICASA and the migration from analogue to digital TV. Unfortunately, the spectrum auction has been put on hold due to legal challenges, but we are hopeful that an out-of-court settlement may be reached to enable the auction to proceed. One of the issues raised in the legal challenges is the lack of completion of the analogue to digital migration process, and Operation Vulindlela has been working closely with the Department of Communications and Digital Technology to expedite this process.

To address the short-term scarcity of skills for economy growth, we have been focusing on reforms to the work permit system to enable South African businesses to import skills which are not available in South Africa, and to successfully compete internationally to attract such skills. Working together with the Departments of Home Affairs, Labour, and Trade and Industry and Competition, Operation Vulindlela has started a comprehensive review of the processes for issuing work permits, with the aim of identifying possible improvements while still protecting employment opportunities for skilled South Africans.

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

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

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

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

Operation Vulindlela is truly an example of our election manifesto commitment of “Working together, we can do more”.

House Chairperson, one of the 2021 government priorities as articulated by President Ramaphosa, in the SONA was fighting corruption and crime. The finance family is central to the country's fight against crime. Financial crimes, if left unaddressed, can seriously undermine the country's developmental path.

Our approach as the finance family to improve financial information sharing with law enforcement agencies is bearing fruit. In 2019, the Financial Intelligence centre worked establish the South African Anti-Money Laundering Integrated Task Force – SAM-LIT and a Fusion Centre specifically focused on uncovering abuses related to government's COVID-19 response.

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

The Fusion Centre was able to recover an amount of approximately R600 million which were the proceeds of crime. This was done working by undertaking nearly 200 actions in strong collaboration with our law enforcement agencies. SAMLIT members assisted the FIC to prepare and disseminate more than 3 200 high quality financial intelligence report.

Additional of the successes of the Fusion Centre are:

- 37 accused persons are appearing in 22 criminal cases in courts across the country.
- Using its powers, the FIC has frozen 90 suspicious and untoward bank accounts which had R178 million in them.
- Using its powers, the FIC has frozen cash in bank accounts, that had proceeds of crime, to the value of R187m
- R123 million was preserved by the Asset Forfeiture Unit.
- Special Investigating Unit has to date enrolled cases in the Special Tribunal to the value of R289million and has to date recovered and saved R124 million involving supply chain irregularities.
- SARS recovered R248 million in taxes using their empowering legislation in the last financial year.
- More than 58 referrals were sent to various departments for disciplinary actions to be instituted against employees involved in financial misconduct and irregularities.
- In total approximately R600 million has been recovered by the Fusion Centre and placed into the fiscus.

## **Conclusion**

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

I thank you.