NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 213

DATE OF PUBLICATION

11 JUNE 2004

MS R TALJAARD (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether the Government has undertaken a review of administered prices with reference to their impact on the CPIX and inflation; if not, why not; if so, what are the relevant details;

(2) whether he will make a statement on the matter? **N248E**

REPLY:

(1) Yes, Government is undertaking a review of administered prices. There are a number of initiatives in this regard - the first one being a Cabinet process to investigate factors that influence the level of administered prices. In March 2003, Cabinet appointed a multi-departmental task team, which is led by the National Treasury to investigate the issue. The task team conducted its first review of administered prices last year, which looked at the impact of price setting processes and regulation on administered prices. The National Treasury has prepared a detailed report on the findings and this will be presented to Cabinet in due course. The Cabinet Memorandum also makes recommendations on how findings of the investigation should be taken forward.

The National Treasury, together with Statistics South Africa and the Reserve Bank, is in the process of developing a definition of administered prices. Having a common definition will assist me and the National Treasury in having meaningful engagements in this regard. It is our intention that, once the definition of administered prices is agreed, Statistics South Africa will publish an administered price index.

Parallel to the above processes, Nedlac has instituted an administered prices task team (following from agreements during the Growth and Development Summit), which is going to complement the work being undertaken by Government. Government also has representation in that task team.

(2) Not until a decision has been reached in Cabinet on the findings of the review.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 231

DATE OF PUBLICATION

18 JUNE 2004

MS R TALJAARD (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether the 2% of GDP target for foreign direct investment announced by the Minister of Public Enterprises at the World Economic Forum deliberations in Maputo is regarded as an appropriate target for South Africa's savings and investment requirements; if so, (a) how does the Government aim to meet this target and (b) what specific steps, including any specific incentives, will be implemented to attract foreign direct investment;

(2) whether he will make a statement on the matter? N265E

REPLY:

(1) There is no optimal ratio of FDI to GDP. Over 1994 - 2003, FDI has averaged 1,36% of GDP in South Africa, as compared to 2,29% for developing countries. It is certainly desirable for South Africa to increase this ratio to 2% or more.

South Africa depends on foreign funds to supplement domestic saving in order to reach its goal of investment-driven growth over the medium-term. The country would thus gain significantly from higher foreign direct inflows (FDI), as higher growth and investment will stimulate labour demand. This in turn, will lead to lower unemployment.

Over the 1984 to 1993 period, South Africa had a cumulative FDI outflow of R1.1 billion, compared to cumulative FDI inflows of more than R117,5 billion[1] over the past ten years (1994-2003). We therefore believe that a FDI to GDP ratio of 2% under current circumstances is realistic.

(a & b)

National Treasury believes that macroeconomic stability and growth are prerequisites for attracting FDI. South Africa has achieved

[1] FDI inflows amounted to 1.36% of GDP over the 1994-2003 period.

macroeconomic stability, and policy focus is therefore shifting towards the objective of microeconomic reform in order to improve productivity and profitability of enterprises doing business in South Africa. This programme is also aimed at removing blockages that prevent economic agents from responding to improvements in the macroeconomic environment.

Furthermore, a return to a more stable and faster growing international economic environment is foreseen, which should benefit investment in emerging economies. South Africa with its stable macroeconomic environment coupled with sound growth prospects over the medium to longer term, will benefit from increased stability. This is likely to result in higher FDI inflows into the domestic economy.

It is however, important to realize that investor perception and investment realization often come with a substantial time-lag.

(2) No, there is no plan to make a statement in this regard.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 325

DATE OF PUBLICATION

25 JUNE 2004

MS R TALJAARD (DA) TO ASK THE MINISTER OF FINANCE:

Whether the National Treasury has done any projections or estimates on the impact on revenue of rolling out a wage subsidy; if not, why not; if so, what are the relevant details for the MTEF period? **N363E**

REPLY:

No. The revenue implications of a wage subsidy would depend on the design of the incentive.

NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 33

DATE OF PUBLICATION

24 AUGUST 2004

01 SEPTEMBER 2004

MS R TALJAARD (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether there were any meetings between him and the Governor of the SA Reserve Bank in June, July or August 2004; if so, on what specific dates did these meetings take place;

(2) whether the level of the exchange rate was discussed at these meetings; if not, why not; if so, what conclusions were reached;

(3) whether he will make a statement on the matter. **N669E**

REPLY:

(1) Yes, there is a Memorandum of Understanding between the National Treasury and the SA Reserve Bank, signed by the Governor and I. We are obligated in terms of section 224(2) of the Constitution of the Republic of South Africa to meet on a regular basis. The Constitution dictates that *"there must be regular consultation between the Bank and the Cabinet member responsible for national financial matters."*

In terms of the Memorandum of Understanding, we will engage in bilateral meetings two to four times a year. We may however have other meetings outside of the bilateral meetings to discuss pertinent issues according to need. The last bilateral meeting between the Governor of the SA Reserve Bank and I was held on 17 August 2004.

(2) No, the level of the exchange rate was not discussed during this meeting. A floating exchange rate has been selected within the existing macroeconomic framework. To this end, it is expected that given the mechanics of the currency market, the exchange rate will adjust accordingly.

(3) No.