



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

BUDGET VOTE SPEECH BY DEPUTY MINISTER OF FINANCE DR DAVID MASONDO

Theme: Restoring Fiscal Strength and Institutional Integrity

DATE: 11 JULY 2019

Honourable House Chairperson;
Honourable members

I am grateful to participate in my first budget vote debate on the National Treasury.

Although we face many challenges, if we take a step back and reflect on what we have achieved in 25 years of democracy, we have much to be proud of.

As we proudly celebrate our important 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, namely:

- Restoring our fiscal strength; and
- The highlights of the work of entities under the mandate of the National Treasury.

Honourable members, the fiscal strength of any country depends on economic growth, without which there will be no employment and state revenue necessary to carry out all state functions. At the moment, the soundness of our fiscal system remains at risk because our GDP growth has been weak largely due to low investment, declining contribution of the manufacturing sector to GDP, and low productivity.

Restoring fiscal strength is necessary in order to continue providing needed services in our society and create conditions for inclusive growth. 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 SOCs. As the Minister said, additional financial injections to stabilize SOCs cannot be unconditional. The SOCs will be expected to:

- a) Implement the new framework for the structure of these entities,
- b) Implement stricter conditions for future financial support, and
- c) Work towards introduction of more private sector participation in the spaces in which they operate.

Economic Recovery and Institution Building

Madam Speaker, let me turn to the second issue of my remarks today. Good public institutions matter for economic development. Imagine a South Africa without an efficient revenue service like SARS. Where will the revenue to invest in our education, health and infrastructure come from?

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

Madam speaker, 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 say a few about 4 (four) entities, but will be pleased to provide a detailed report to members for each entity.

South African Revenue Service (SARS)

Despite its recent challenges, SARS remains one of our state institutions that demonstrates the features of a developmental state in the democratic era. SARS has new leadership at the helm, and they are managing a turnaround to restore integrity to the institution. Over the next year SARS will adopt a strategic focus on making it easier for citizens to fulfil their tax obligations, while strengthening its enforcement capabilities to pursue all violations of 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, SARS management is also taking more proactive steps to fight the activities in the illicit economy.

Financial Intelligence Centre (FIC)

Following the amendments to the FIC Act in 2017, the National Treasury and the 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.

Tight working relationship between FIC and the criminal justice system and other competent authorities will enable them to provide essential financial intelligence to effectively fight crime.

Development Bank of Southern Africa (DBSA)

The 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 operationalize the Infrastructure Fund, which will finance large infrastructure projects through blended finance.

In 2019/20 the DBSA will continue supporting municipal infrastructure, especially in the poorest areas. The bank will also support projects being undertaken by SOCs and public-private partnerships.

Public Investment Corporation (PIC)

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 commit R9 billion towards development property investments, including new developments, refurbishments and upgrades, and rural development investments. The value of African and offshore investments is expected to increase to R15.6 billion, while contributions to education, health, housing, infrastructure and environmental sustainability, SMMEs, and investments in priority sectors and transformation are expected to amount to R10 billion per year over the medium term.

Finally, the life of the Commission of Inquiry into allegations of impropriety regarding the PIC, which was appointed by the President in October 2018, has been extended from its original termination date of April 2019, and a final report is now expected on the 31st of July 2019.

Let me join the Minister in congratulating the newly appointed interim PIC board; and the appointment of two new Deputy Governors; as well as the reappointment of the Governor Kganyago.

Conclusion

Honourable speaker, 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 inter-generational fairness.

Thank you.