



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001 • 40 Church Square, PRETORIA, 0002 • Tel: +27 12 315 5372, Fax: +27 12 406 9055 • www.treasury.gov.za

SPEECH BY DEPUTY MINISTER OF FINANCE

OPENING OF PARLIAMENT DEBATE REMARKS BY DEPUTY MINISTER OF FINANCE, ASHOR SARUPEN

19 JULY 2024

Honourable Speaker,

I want to start my remarks today by emphasising the DA's absolute commitment to driving inclusive growth and creating opportunities for all South Africans.

The DA believed that the president and the GNU has rightly identified that "the apex priority of the government is to drive inclusive growth and job creation." When we look at the data, this has to be the single most important and overarching objective of the GNU.

South Africa faces a deepening unemployment crisis, with the youth being the hardest hit. A majority of young people aged 15 to 24 cannot find jobs. Unfortunately, this unemployment crisis has its roots in the failure of past administrations to create conditions conducive for economic growth. Our unemployment rate has risen from 20 percent in 1994 to 32.9 percent in 2023, and it soars to 42.4 percent when we include discouraged work-seekers.

This Government of National Unity presents us with a unique opportunity to change this trajectory. The success or failure of this term of office will be measured by how effectively every ministry addresses this.

The President stated that "our experience over the past 30 years has shown that when our economy grows, jobs are created. When our economy contracts, there is no job creation and jobs are lost." This is a self-evident assertion that the DA fully supports.

The relationship between economic growth and job creation has only strengthened since the dawn of our democracy – the more the economy grows, the more jobs we will create. It is amazing that there are parties in this house who deny this fact.

We agree that "growth must be inclusive and transformational." The economy must lift millions



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

SPEECH BY DEPUTY MINISTER OF FINANCE

out of poverty and into the middle class, ensuring that the benefits of growth are felt by all South Africans.

In addressing the role of municipalities, the President mentioned that "our municipalities must become both the providers of social services and facilitators of inclusive economic growth." The DA experience in local government has been that we have delivered on this - in Cape Town, Midvaal, Umgeni and elsewhere. We are ready to lend our expertise to make local government work. But for local government to be a driver of growth, the state cannot push unfunded mandates onto local government. It must comply, budget for and provide the basic services as listed in the relevant schedule of the constitution, first and foremost. We also need a massive injection into local government infrastructure to prevent the collapse of service delivery. It is both an economic and moral imperative.

We also support the President's call to "simplify regulations on public-private partnerships to enable greater investment in both social and economic infrastructure development." Infrastructure investment must target areas suffering from collapse and failure, particularly in roads, rail, energy, and ports.

Regarding public finances, the President's commitment to "stabilising debt and reducing the cost of servicing our debt" is crucial. South Africa's debt burden and its debt to GDP ratio is far too high. We must acknowledge the root cause of this was bailouts caused by state capture. And in order to meet our fiscal targets, we cannot throw money into bailing out SOEs anymore. There must be a paradigm shift, and political will to make sure that we invest in growth, not bail out failure.

We fully endorse the proposal to "expand the basket of essential food items exempt from VAT and undertake a comprehensive review of administered prices." Zero-rating additional food items will reduce costs for the poor. Addressing administered prices, a significant driver of inflation, is essential. Market-related prices have shown lower long-term inflation compared to administered prices.

However, we do have points of divergence. The President's commitment to "broad-based black economic empowerment and employment equity" needs a serious reevaluation. Every party included in the GNU agrees that we must achieve better economic outcomes for the poor and address historical imbalances. The DA strongly believes in redress - but we cannot create or support new systems of exclusion. We do not use race to determine who gets a social grant or an RDP house, and precisely because the intervention is based on poverty rather than race, it



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

SPEECH BY DEPUTY MINISTER OF FINANCE

produces better outcomes. It is time to review economic empowerment systems so that we use poverty, not race, to determine who should benefit, and to end abuse of the system by politicians and rent-seekers who repeatedly enrich themselves at the expense of the state.

We need to make sure that procurement results in value for money and frees up the fiscus to deliver more to citizens. Procurement cannot continue as normal, the status quo is plagued with corruption, and there needs to be stronger mechanisms to prevent corruption in public procurement.

Mr President, you have outlined an economic vision and plan that is a departure from the past, however for it to achieve sustainable and inclusive growth, there are additional reforms that need to be considered and urgently:

(1) To stabilise public finances and prevent unsustainable debt levels from engulfing our fiscus, we must consider introducing a fiscal rule. Such a fiscal anchor will ensure that we demonstrate to the world that we are serious about getting debt-to-GDP down. Furthermore, we must support every effort being made to remove South Africa from the FATF greylist.

(2) To ensure that we support small business, we must consider exempting SMMEs from the administrative exemption of bargaining council agreements, which often put small firms under huge financial strain and out of business. Big business can take care of itself, but SMMEs often don't have a voice at the table when such decisions are made – to the detriment of job growth,

(3) Fully review master plans that pick winners and losers. Instead, improve the effectiveness of industrial policy interventions by focusing its interventions on those which grow exports rather than import substitution and targeting activities such as investment infrastructure and innovation horizontally, rather than vertically with specific sectors. We can further improve the development of new industrial policy by focusing intently on the process, which will increase the chances of good outcomes and rapidly identify bad outcomes. Industrial policy must be based on evidenced based research, monitoring, and evaluation. The economic implications of policy decisions must be studied prior to implementation and the outcomes after implementation must be examined to determine if the intended goals are being met

Mr. President, there is much in your economic agenda that, with political will and steely determination, can get South Africa working again. We are keeping an open mind as the GNU pursues its apex priority of growing the economy and creating jobs. If this agenda is pursued with haste, and the right reforms are made at the start of this term, your legacy, and the legacy



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

SPEECH BY DEPUTY MINISTER OF FINANCE

of the GNU will be that of a government that has lifted millions of people out of poverty and into the middle class. I urge you to move with haste on the areas where we have broad agreement upfront, so that our country can be a better place by 2029.

I thank you.