

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1493

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MR V C GORE (ID) TO ASK THE MINISTER OF FINANCE:

- (1) Whether it is a requirement to disclose the agreements with certain financial institutions (names furnished); if not, why not; if so, (a) to whom must such agreements be disclosed and (b) under which legislation and regulations are such agreements entered into;
- (2) whether these institutions are required to register in South Africa; if not, (a) why not and (b) how will it be ensured that local industries, employees and National Treasury are not adversely affected by the said institutions not required to register in South Africa;
- (3) whether empirical substantiation exists for the developmental impact of the commercial activities of these institutions on the South African economy; if not, why not; if so, (a) what evidence, (b) what are the financing criteria of these institutions, (c) how many small and medium enterprises in South Africa (i) will benefit from such criteria and (ii) have already benefited from the activities of these institutions in South Africa, (d) how many applications for finance were (i) received and (ii) rejected and (e) what were the reasons for not approving applications for finance;
- (4) whether applications for finance from these institutions could be accommodated by local financiers; if not, why not; if so, what are the relevant details;
- (5) on what basis are the said institutions allowed to approach institutions such as Rand Merchant Bank, Standard Bank and SASOL with financing proposals?

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REPLY:

- (1) (a) Donor and Financial Institutions Agreements are public documents that are available on the National Treasury Website – www.dcis.gov.za. Disclosure is therefore not an issue. National Treasury does not enter into agreements with KfW. Agreements are entered into with the German Ministry of Economic Co-operation (BMZ).

(b) The Government of the Republic of South Africa enters into agreements in terms of section 231(3) of the Constitution of the Republic of South Africa.

- (2) (a) Registration is based on a framework agreement between governments. The bilateral framework agreements in this case, are between the Government of South Africa and the Government of Germany, which are tabled in Parliament after signing.
- (b) National Treasury is not aware of any possible adverse effects and has not experienced any in the past.
- (3) This is done by way of Annual Bilateral Negotiations where financial commitments are also made, minutes of which are also found in National Treasury's website provided in answer to question one.
- (a) According to reports provided by German Investment Bank (DEG), a group of external independent experts appointed by the German Ministry for Economic Cooperation conducted an evaluation on the development effects and impact of DEG's projects in South Africa in 2004. The study confirmed that the evaluated DEG project companies have positive developmental effects like, e.g. tax revenue generation, foreign exchange inflows, job creation, technology transfer, capacity building and improvement of environmental and social standards.
- (b) The financing criteria as reported by DEG include the following three aspects: (1) the project companies should be profitable, (2) contribute to positive developmental effects and (3) should be socially and environmentally sound.
- (c) National Treasury does not collect statistics in this regard and therefore cannot be the source of such information. DEG reports that there is no exact number on how many Small and Medium Enterprises (SME) in South Africa benefited from its activities. However, it was reported that funding facilities for SME financing provided to financial sector institutions in South Africa like the Industrial Development Corporation (IDC) and/or others have reached multiple SMEs.
- (d) According to DEG no figures regarding the number of received and rejected applications are available at hand.
- (e) DEG indicated that rejected applications have not fulfilled one or more of the above mentioned criteria.
- (4) DEG, as a private sector financial institution, can enter into financing agreements with any applicant who meet the criteria set by DEG. National Treasury does not regulate nor supervise relationships of a business nature between private sector companies and their clients.
- (5) These are private sector dealings, over which National Treasury does not have direct control.