

NATIONAL ASSEMBLY
QUESTION FOR ORAL REPLY
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★694.Ms O M C Maotwe (EFF) to ask the Minister of Finance:

Considering the fourth strategy of building state capacity that he mentioned in his Medium-Term Budget Policy Statement, whereas Operation Vulindlela champions privatisation of state enterprises, (a) how does he envisage to build state capacity while the Government is privatising Transnet, Eskom and Water and Sanitation and (b) what number of jobs does he seek to create whilst taking the key state functions to the private sector?

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REPLY

- (a) The government has no plans to privatise Transnet, Eskom and Water and sanitation. It is important to distinguish between privatisation and private sector participation. A public private partnership is not privatisation and there is a clear difference between the two. Privatisation is the permanent transfer of a publicly owned asset to a private party whereas a public private partnership is a long-term contract between government and the private party for the development and management of a public asset in which the private party, at its own cost, builds/develops a public asset, and takes on the management responsibility throughout the life of the contract. At the end of the contract, the asset is transferred back to the government in a condition that is determined when the contract was agreed on. The private party is compensated based on the performance and use of the asset. Where performance exceeds the requirements in the contract, the private party pays the government a fee. In other words, at no cost to government, it can generate a return on investment when performance exceeds a specific threshold.

State capacity would be built in relation to planning and preparation of infrastructure projects, contract management to ensure that the private sector performs, financial structuring to ensure that government gets the best value. Two critical pillars in the public private partnerships relate to the transfer of risk from the public sector to the private party, and the second is value for money.

Operation Vulindlela does not require the privatisation or sale of any state-owned assets. Instead, the focus is on introducing some private sector participation in network sectors. State-owned companies craft their turnaround

plans which will include, amongst others, self-help initiatives including, disposal of non-core assets.

- (b)** It's not clear how many jobs will be created from private sector participation in network sectors. Modelling of a subset of reforms in network sectors however, showed that the successful implementation of key reforms could raise GDP growth to over 3% per annum, add an additional R600 billion to revenue, and create more than 1 million jobs over ten years. This is related to a narrow set of reforms and not the full Economic Reconstruction and Recovery Plan developed by Government.