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**Editor**

Brent Simons

**Production editor**

Mava Lukani

**Design and layout**

Red Cherry Interactive

**Copy editor**

Jane Henshall

**Writers**Mava Lukani, Sakhile Mokoena, Abel Mputing,  
Malatswa Molepo, Faith Ndenze**Photography**

Zwelethemba Kostile

**Distribution & subscriptions**

Jacqueline Zils

**Publisher**

Parliament of the Republic of South Africa

**Online Publication****Section Manager:****Publishing and Production**

Shirley Montsho

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**EDITORIAL ENQUIRIES****Telephone** 021 403 8738**Fax** 021 403 8096**E-mail**

insession@parliament.gov.za

**Subscriptions**

jzils@parliament.gov.za

**Post**

PO Box 15, Cape Town, 8000

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# We need sustained economic growth, says Finance Minister

*Presenting his budget speech in Parliament recently in the National Assembly, Minister of Finance Mr Enoch Godongwana, said it is only through sustained economic growth that South Africa can create enough jobs to reduce poverty and inequality. This is the only way we will be able reach our goal of a better life for all. Mava Lukani reports*

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To this end, the government's Economic Reconstruction and Recovery Programme (ERRP) remains essential to growth. "We are accelerating the implementation of critical structural reforms contained in the ERRP, in particular in electricity, rail, ports and

telecommunications," he explained. To complement these interventions, the government will be accelerating infrastructure investment which the government believes is the backbone of a thriving economy. The National Treasury will be implementing the results of a recently completed review of the Public-Private Partnerships (PPPs) framework. "We aim to create a centre of excellence for PPPs and other blended finance projects. This centre of excellence will be established with direct Treasury oversight. It will be a direct interface with private financial institutions for investments in critical government infrastructure programmes."

National Treasury will also work with other national departments and the Eastern and Northern Cape provinces to pilot a revised approach to infrastructure delivery. This will include innovative financing and delivery mechanisms, as announced by the President in the State of the Nation Address. These projects have the potential to include private investors for bulk infrastructure.

"As we upgrade roads, bridges, water and sewerage, transport, school infrastructure and hospitals and clinics, the aim is to unlock higher levels of employment for those involved in the projects. I am pleased to inform this House that a provisional allocation is set aside in this Budget for R17.5 billion over the MTEF for infrastructure catalytic

projects. We look forward to engaging with specific proposals in this regard." On supporting businesses in distress due to the Covid-19 pandemic, a new business bounce-back scheme will be launched, using two mechanisms that will be introduced sequentially. Firstly, small business loan guarantees of R15 billion will be facilitated through participating banks and development finance institutions. This allows access for qualifying non-bank small and medium loan providers. The government will partner with loan providers by underwriting the first 20% of losses for banks and other eligible small and medium loan providers. The eligibility criteria, including the requirement for collateral, has been loosened. This mechanism will be launched and operational next month.

Secondly, by April this year, "We intend to introduce a business equity-linked loan guarantee support mechanism. We intend to bring the total support package through the bounce-back scheme to R20 billion."

The equity support mechanism of this scheme will be facilitated through DFIs and will also be available to qualifying non-bank small and medium finance providers. Details of the terms of the equity-linked guarantee mechanism will be provided soon.

# Budget reasserts commitments made in medium-term budget policy statement

*When the Minister of Finance, Mr Enoch Godongwana, presented the 2022 Budget in the Good Hope Chamber he called for caution, due to the uneven economic recovery and continuing high risk to the fiscus, writes Mava Lukani.*

Nonetheless, the 2022 budget reasserts the commitments made in the 2021 Medium Term Budget Policy Statement (MTBPS) to chart a course towards growth and fiscal sustainability.

The 2022 budget narrows the budget deficit and stabilises debt. "It also extends income and employment support to the most vulnerable, addresses service delivery shortcomings and provides tax relief," said Mr Godongwana. However, these interventions cannot replace the structural changes our economy needs, and difficult trade-offs are required.

The world economy is expected to grow by 4.4 per cent this year, which is 4.9

per cent lower than anticipated when the MTBPS was tabled. In addition, the coronavirus continues to wreak havoc and has led to ongoing imbalances in global value chains that have limited the pace of the world's economic recovery.

*"We have revised our economic growth estimate for 2021 to 4.8 per cent, from 5.1 per cent at the time of the MTBPS. This revision reflects a combination of the impact of changes in the global environment, along with our own unique challenges," Mr Godongwana continued.*

The South African economy has not been insulated from these global developments. Commodity prices, which have so far supported the South African economic recovery, slowed in the second half of 2021, and violent unrest in July and restrictions imposed to manage the third wave of Covid-19 further eroded the gains of the first half of the year. Industrial action in the manufacturing sector, and



the re-emergence of loadshedding, also slowed the pace of the recovery.

On tax collections, these have been much stronger than expected, at R1.55 trillion for 2021/22. This is R62 billion higher than what was estimated four months ago and R182 billion higher than estimates from last year's Budget. This follows a shortfall of R176 billion for 2020/21, when compared to the 2020 Budget forecasts. "This positive surprise has come mainly from the mining sector, due to higher commodity prices."

He said the improved revenue performance is not a reflection of an improvement in the capacity of the

economy. As such, "we cannot plan permanent expenditure on the basis of short-term increases in commodity prices. To be clear, any permanent increases in spending should be financed in a way that it does not worsen the fiscal deficit."

2022 marks the 25th anniversary of the establishment of the South African Revenue Service (SARS). "SARS plays a vital role in the economy, and we congratulate them on this momentous occasion. We also welcome the current modernisation of its infrastructure at border posts, such as Beit Bridge, to facilitate greater trade."

## Government allocates R3.33 Trillion for social wages to support low-income households

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# Bailout State-Owned Entities no longer an option, says Finance Minister

*Minister of Finance Mr Enoch Godongwana told the National Assembly during his budget speech that more than R308 billion has been used to bail out failing state-owned enterprises, leading to a reduction of R257 billion in public funds available for frontline services and infrastructure, writes Mava Lukani.*

"In this Budget, we are shifting from this trend and restoring our focus on the core functions of government. We are also on course to close key fiscal imbalances and restore the health of public finances," he said.

However, the debt burden remains a matter of serious concern. This year, government debt has reached R4.3

trillion and is projected to rise to R5.4 trillion over the medium-term. This incurs large debt-service costs; averaging R330 billion annually over the MTEF. He said these costs are larger than spending on health, policing or basic education. "For this reason and to support the economic recovery, in this budget we are reducing the fiscal deficit and stabilising debt. The consolidated budget deficit is projected to narrow from 5.7 per cent of GDP in 2021/22, to 4.2 per cent of GDP by 2024/25."

The debt ratio will stabilise at 75.1 per cent of GDP by 2024/25 and is three percentage points lower than projected in the Medium Term Budget Policy Statement. It is also the first time since 2015 that the government is reducing the borrowing requirement, using some of the extra revenue they have collected, by R135.8 billion this year and a total of R131.5 billion over the next two years.

National Treasury, Mr Edgar Sishi, said that 54.9 % of the budget went on wages, distress grants, education, health and presidential employment commitments. This was made possible due to the tax surplus that exceeded non-interest spending a year earlier than expected and R1.2tr in tax collection. However, real domestic product growth is hovering at 1.8 over the medium term, not an ideal situation given the rising demands for resources to address poverty and unemployment.

The need to reduce the cost-of-service debt remain a challenge in the face of rising expenditure on public finance, driven mainly by the public sector wage bill. This continues to crowd out other government priorities.

Dr Dion George asked how the Treasury intends to deal with the public sector wage bill. The minister responded: "There can be no disagreement that in relation to our GDP, the public sector wage bill is high. I deliberately refused to take a position on this matter when I was tabling the budget because we are currently in negotiations with the unions to see how this matter can be resolved."

Ms Dipuo Peters asked how long the state will continue supporting state-owned enterprises such as South African Airways (SAA). The minister responded: "The SOEs are useful to the extent that they meet their developmental mandate

and that must be guided by the balance of evidence. If I were to be asked if SAA or Auto Pex are achieving their developmental mandate, I will have a difficulty to support that. But there are those that do, and they need to be supported."

How does your response on SAA reconcile with the recent claims that SAA will get new funding and where will that come from, asked Mr Dennis Rider? The minister responded: "All I know is that SAA is not in the budget. Treasury has received a submission for SAA funding from the Ministry of Public Enterprises. We are still evaluating it."

Fuel price increases were raised by Mr Joe Maswanganyi, Chairperson of the Standing Committee on Finance. The minister duly replied: "The administration of the fuel levy and how we handle fuel prices need to be looked at. It is a matter I am discussing with my counterparts from the Ministry of Energy."

The Chairperson of the Standing Committee on Appropriations, Mr S'fiso Buthelezi, believes that cutting company tax may end up benefiting the executives of private corporations, rather than building an inclusive economy. The Deputy Minister of Finance, Mr David Masondo, replied: "We have done this in line with the President's proclamation in the State of the Nation Address that it is the responsibility of business to create



## Minister briefs Finance and Appropriations Committees on 2022 budget

jobs. Also, we have done this because major economies have reduced company taxes to attract investment due to the economic effects of Covid. We thought we should also do so because if do not, we would be disadvantaged."

He went further: "It's true that this may not be reciprocated as such, but we are engaging business to explain what our express intent is for doing this and what we would expect them to do in turn."

Regarding the burning of Parliament, Mr Dennis Rider asked why the minister did not say where the money would be found to rebuild Parliament and its temporary housing. "We have not received any requests in that regard. If we do, we will look at them and adjust accordingly, if need be," was the response.

Questions were asked about the feasibility of the basic income grant in the prevailing economic conditions. The minister answered the government has not finalised its view on this yet. Currently, there are various grants in place, and these are being reviewed to determine which are most appropriate.

"If the review suggests that it should be implemented and it comes higher than the current budget allocated for grants, it means people must be prepared to pay high taxes. If we add more on our expenditure, our debt will also rise because of our tight fiscal situation."

The Chief Director of the Budget Office at

# Standing Committee on Appropriations engages National Treasury on 2022 budget

*As is customary after the Minister of Finance tables the budget for the year, the National Treasury appeared before the Standing Committee on Appropriations to account on the division of revenue, writes Abel Mputing.*

This year, the Treasury's presentation focussed on the equitable share granted to provinces and the local government grant allocation.

There has been widespread dissatisfaction with the way these allocations are worked out, as critics believe internal migration, which has seen over 66 per cent of all citizens move to the cities, is not taken into consideration when determining how much goes to each area.

But according to the budget process economist in the Treasury, Mr Bongani Daka, the provincial equitable share relating to healthcare has been redesigned to take into consideration data relating to age and sex, fertility rate, regional gross domestic product, income and expenditure, and mid-year population.

He told the committee that the recent once-off gratuity for public sector servants amounting to R14.7 billion came from the equitable share allocation. An additional R1 billion has been utilised to restructure grants to enable provinces to provide Covid vaccines and R389 million has been allocated to infrastructure at provincial level.

Regarding the allocations to local government, the senior budget head at Treasury, Mr Letsepa Pakkies, stated that local government gets 9.8 per cent of the national budget and to cover the shortfall municipalities must raise their own revenue. Local government revenue grew by 7.9% and its equitable share by 10.3% over the Medium-Term Expenditure Framework, he said.

In real terms, R29 billion has been added to local government allocations to increase the coverage of basic service delivery. Another R5 billion went to local government administration, R9.7 billion to servicing poor communities and R64 billion on free services. In



*Standing Committee on Appropriations Chairperson: Mr Sfiso Buthelezi*

addition, the financial management grant seeks to establish an asset register for municipalities, something that is currently missing in many municipalities.

During the question session, committee members questioned whether the formulae used to allocate the provincial equitable share and the local government grant is suitable. They also wanted to know why local governments continue to underspend and what the National Treasury is doing to address the lack of capacity in this sphere of governance.

The head of intergovernmental relations at Treasury, Ms Malijeng Ngqaleni, replied by saying: "We constantly engage provinces to allocate budget where there are service delivery pressures. Yes, these allocations are adequate, because we don't have enough money to cover our social needs. But we tell them we need to use these funds to restore baseline erosions and reduce them being used for goods and services."

Committee member Mr Oscar Mathafa wanted to know if the cost of consultants is still placing a drain on municipal finances. Ms Ngqaleni responded: "The issue is whether we get value for money for using consultants or not. It's difficult to do away with their service, because most often they offer local municipalities technical skills or expertise they don't have. What is needed is for them to have clear project resources allocation plans to ensure they get value for money from them."

Committee Member Mr Xolisile Qayiso was of the view that a skills shortage in municipalities is what has led to the collapse of infrastructure development in many municipalities. He wanted to know what Treasury is doing about this. Ms Ngqaleni answered: "This is an issue we constantly raise with municipalities, because at the heart of it is the notion of the value for money and the efficient delivery of services. Unfortunately, we can only advise on necessary intervention and flag our concern, but is a competency that falls in the purview of the Department of Cooperative Governance and Traditional Affairs."

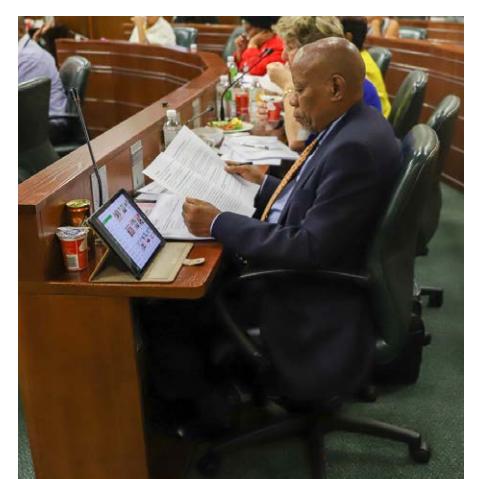
The deteriorating capacity of municipalities has led to underspending, said the Chief Director: Local Government Budget Analyst at Treasury, Mr Jan Hattingh. As a means to capacitate municipalities, he said, and to give effect to the division of revenue "we held workshops with them and explained what to do and not to. No municipality can claim that we haven't done that."

The debt owed to municipalities is another ongoing problem and Ms Dipuo Peters asked what the Treasury is doing to address it. Ms Ngqaleni replied: "This debt has risen to well over R20 billion, but what we told municipalities is that we can't be their debt collectors. They must enhance the capacity to collect their own debt. We applaud what the Tshwane Municipality did. Others should also follow suit and cut the services of debtors who don't pay their services."

The Chairperson of the committee, Mr Sfiso Buthelezi, asked why the Treasury is still using the 2011 census to determine the provincial equitable shares and local government allocations for the indigent. The Chief Director: Intergovernmental Policy and Planning at Treasury, Ms Wendy Fanoë, replied that they use various instruments to determine these things. The census is one among many.

Committee member Mr Ashor Sarupen asked whether the provincial equitable share and local government grant allocations consider rising internal migration. Ms Fanoë replied saying that the Treasury also uses the mid-year population survey to determine adjustments to provincial shares and grants for local government to cater for internal migration.

Mr Buthelezi emphasised that these matters are of keen interest to the committee, given that provincial and local government is at the coal face of service delivery and realising the government's developmental agenda.





# NCOP committees plot roadmap for effective oversight and accountability

*National Council of Provinces (NCOP) committees held their annual strategic planning and review session recently, where they outlined a plan for the year ahead. During the two-day virtual session, the select committees made ambitious commitments to conduct effective oversight and pay special attention to key government policies and plans, reports Sakhile Mokoena.*

The cluster comprising the select committees on Trade and Industry, Economic Development, Small Business Development, Employment and Labour, Transport, Public Service, and Public Works and Infrastructure will focus on the implementation of the National Development Plan (NDP), the economic recovery plan as well as the implementation of the African Continental Free Trade Area (AFCFTA) agreement.

Mr Mandla Rayi, the Chairperson of the Select Committee on Trade and Industry, Economic Development, Small Business Development, Employment and Labour said his committee will monitor AFCFTA's financial implications and economic benefits for South African businesses.

The committees also plan to keep a close eye on corruption and abuse of state public resources. "We want to ensure that resources allocated to the different departments are used appropriately for service delivery," added Mr Rayi. This cluster will also monitor progress on job creation initiatives through infrastructure development programmes, localisation, reindustrialisation and export promotion.

The cluster of the select committees that deal with Land Reform, Environment, Mineral Resources and Energy, and Public Resources and Communication will monitor the land reform programme and the unbundling of Eskom into three separate entities, among other important issues on their programme.

Reporting on behalf of the social development cluster, the Chairperson of the Select Committee on Health and Social Services, Ms Maurencia Gillion, said the committee will be monitoring progress on the implementation of Sustainable Development Goals (SDGs), the National Development Plan (NDP), the African Union Agenda 2063, commitments made during the State of the Nation Address, as well as departments' annual performance plans.

The Chairperson of the Select Committee on Education and Technology, Sports, Arts and Culture, Mr Elleck Nchabeleng, said the oversight approach will also be guided by the SDGs and the Southern African Development Community



masterplan. The committee will also deal with the issue of unemployed graduates and the need to improve the quality of post school education and training.

"The committee is also worried about the problem of students who are funded by provinces to study abroad. We recommend that they coordinate with the Department of International Relations and Cooperation to verify institutions in order to avoid fly-by-night institutions and unrecognised qualifications," said Mr Nchabeleng.

The Justice and Security cluster committees will pay attention to the implementation of legislation on gender-based violence and the Child Justice Act. Ms Shahidabibi Shaikh, Chairperson of the Select Committee on Security and Justice, said they will also be conducting oversight visits to the South African Police Service to discuss provincial crime prevention strategies. Other key issues on the committees' agenda are the processing of the Cannabis for Private Purposes Bill and the Electoral Amendment Bill.

The Select Committee on Cooperative

Governance and Traditional Affairs, Water and Sanitation and Human Settlements will be monitoring the implementation of the District Development Model and the effectiveness of coalition governments in municipalities.

Speaking at the end of the second day of the planning session, the House Chairperson for Committees and Oversight in the NCOP, Mr Jomo Nyambi, said: "We now have a roadmap that is taking us forward. It is clear that the NCOP, irrespective of Covid, is ready to hit the ground running."

The Deputy Chairperson of the NCOP, Ms Sylvia Lucas, said the planning session will bridge the gap between the NCOP's current situation and future plans. With just over two years remaining of the sixth parliamentary administration, robust and effective oversight is necessary to ensure that legislation is implemented and that government departments deliver on their mandates.

"We need to put emphasis on non-implementation of legislation and ensure that all legislation passed by Parliament is implemented for the benefit of the South African population," she said.





## NCOP receives ministerial briefing on integrated human settlements

*To reinvigorate its oversight role over the executive, the National Council of Provinces (NCOP) has decided to hold ministerial briefings. To this end, the NCOP invited the Minister of Human Settlements to establish that department's progress in "the creation of integrated and sustainable human settlements", reports Abel Mputing.*

Opening the Human Settlements ministerial briefing, the NCOP Chairperson, Mr Amos Masondo, explained that the briefing's goal was to provide the NCOP, provincial legislatures and municipal councils with the necessary information to be able to coordinate and enhance their oversight work. Housing is also a constitutional imperative, as the constitution entrenches the right of everyone to have access to adequate housing. "It places the responsibility upon the state to take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right," Mr Masondo said.

These imperatives were recently expressed in a Constitutional Court judgement in *South Africa and Others vs Irene Grootboom (of Cape Town) and Others*. "In a unanimous judgment written by Justice Yacoob," Mr Masondo went on, "the Court noted that the Constitution obliges the state to act positively to ameliorate the plight of the hundreds of thousands of people living in deplorable conditions throughout the country. It said that the state must provide access to housing, healthcare, sufficient food and water, and social security to those unable to support themselves and their dependents."

This is a difficult task in the prevailing economic circumstance. Nonetheless, it must be achieved. There have been some successes and by the end of 2021 government has expanded housing to four million households.

Nonetheless, challenges continue to proliferate, including unfinished projects that leave beneficiaries in limbo for several years and construction mafias who often stall human settlement projects to demand undue payment or their involvement in various projects. Furthermore, urbanisation is a mixed blessing. It brings with it economic opportunities, but also leads to challenges of urban sprawl, poverty, high unemployment rates, environmental degradation and so on.

Giving an update on the department's work to create integrated and sustainable human settlements, the Minister of Human Settlements, Ms Mmamoloko Kubayi Ngubane, admitted that the Housing Act is not at one with the ethos informing integrated human settlement. It is "misaligned to housing programmes,

policies and legislation frameworks and presents implementation shortcomings and misconceptions of the meaning of human settlements," she said.

There are efforts afoot to ameliorate this disjuncture, the minister told the NCOP plenary. A draft Human Settlements Development Bill is to be completed for consultation during the current financial year and will be introduced to Parliament at the beginning of 2023.

development and investments to areas closer to economic opportunities.

The department has also introduced policy interventions to fast-track human settlement projects in the Northern and Eastern Cape in the 2022/23 financial year. The infrastructure fund announced during President Cyril Ramaphosa's State of the Nation Address will be used to increase the scale of housing delivery in a short space of time, Ms Kubayi Ngubane said.

The Human Settlements department will also work with other government departments to maximise capital and human resource efficiencies. This will ensure "sequencing of budgets and a multisector response on public-private partnerships to improve social, economic integration," the Minister said.

This cooperation is meant to harness the value-chain of the efficiencies that can be derived from well-coordinated intergovernmental human settlements' implementation plans and responsibilities shared by the three spheres of governance, she observed.

The Chief Whip of the NCOP, Mr Seiso Mohai, reiterated that human settlements are a pillar of the Reconstruction and Development Plan aimed at addressing the socio-economic disparities of the past and to reverse apartheid and colonial-era spatial patterns.

"We have to work hard because it's a footprint of our government's mandate to address the plight of communities that still don't have basic services, such as water and sanitation, sustainable road, electricity or streets lights," Mr Mohai said.

The NCOP welcomed the policy reforms mooted by the Department of Human Settlements, which will deal with some of the existing anomalies. However, Mr Mohai suggested that it may become necessary to emulate KwaZulu-Natal and allow provincial governments to take over infrastructure development responsibilities in their municipalities that do not have the capacity to initiate programmes and to spend their infrastructure grants.

The briefing gave the NCOP an opportunity to take stock of current progress in creating integrated and sustainable human settlements. "We now leave the ball in the Select Committees' courts to engage in an ongoing oversight over the national executive on various issues raised today," Mr Mohai concluded.

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Parallel to this process, the department has taken action to address spatial inefficiencies by declaring 136 priority human settlement and housing development areas in 2019, to direct

One of the innovative initiatives introduced by the department is the digital housing list to ensure transparency and credibility in how houses are allocated to beneficiaries, she claimed.



*The National Assembly held a debate on the impact of Russia's invasion of Ukraine on the South African economy, sponsored by the leader of the official opposition, Mr John Steenhuisen, writes Abel Mputing.*



In his opening remarks, Mr Steenhuisen cautioned against the government's neutral stance. He warned that when South Africans begin to feel the impact of rising fuel, wheat, maize prices and Eskom finds it difficult to secure diesel to burn its turbines, the reality will sink in that this is also our war.

"We are already involved in this war. Our government can't be seen to be supporting Russia's aggression and alienate its trading partners. Let's put the country before party politics and think what this war will mean to us and what will be its impact on our economy."

The Deputy Minister of the Department of International Relations Cooperation, Ms Candith Mashego-Dlamini, retorted that South Africa will remain steadfast in its search for a peaceful resolution to conflicts. "We have always maintained our stance of upholding dialogue and diplomacy as mechanisms that can bring about peaceful settlements to conflicts." These are principles informed by the United Nations Charter on international relations, Ms Mashego-Dlamini said.

That is why the government urged Ukraine and Russia to use diplomacy to avert any further escalation of the conflict. South Africa has good relationships with both countries, she pointed out, and continues to support the involvement of the United Nations' Secretary General in finding a lasting resolution.

Member of Parliament Mr Floyd Shivambu said the South Africa has a blood bond with Russia, after Russia supported the liberation struggle against western colonial imperialism and provided military support to the fight against apartheid. "We won't support NATO's expansionist and imperialist agenda." South Africa should rather strengthen our cooperation and economic alliance with Russia.

Echoing this perspective, Mr Supra Mahumapelo, also pointed to the historical ties between South Africa and Russia that informs the South

African government's stance on this conflict. Those who oppose government position in this conflict "are products of colonialism and should never be allowed to set an agenda for Africa. Their global imperial and its philosophy will be defeated," he said.

Member of Parliament Mr Mkhuleko Hlengwa said South Africa should acknowledged that it is wrong for Russia to impose its will on the sovereignty of other countries. Neutrality could simply be seen to be condoning aggression. "You can't prevent a war by starting a war. We should condemn Putin's egoistic war."

Dr Pieter Groenewald concurred that the South African government should condemn Russia as a friend, "if not, it will see you as a useful idiot," he said.

Another Member of Parliament Rev Kenneth Meshoe said the conflict will not be resolved by condemnation of one side against the other. He asked why President Cyril Ramaphosa only called the Russian President and not the Ukrainian one as well. The conflict affects us all, he said. "Let's allow peaceful mediation to take place. We want peace not war."

Mr Brett Herron called on South Africa to use its mediation experience to end the conflict. "There's no country better positioned to broker peace in this conflict than South Africa. We have done so in Northern Ireland. Let's utilise this currency and play a meaningful role in convincing

these countries that the lasting solution to their conflict is negotiation and compromise."

Mr Bantu Holomisa criticised the United Nations for doing nothing in the face of escalating aggression to world peace and political stability. He said the organisation is nothing but a talk shop, "a toothless body that has no resolute leadership".

Mr Ahmed Shaik Emam said it would be unfair to blame Russia in this conflict. He said Russia is doing all it can to protect its sovereignty, which is constantly encroached by NATO. "Russia has been warning NATO to stay away from its borders to no avail. They saw this as a threat to its republic. That's why there's this conflict today" he concluded.

Mr Mzwanele Thyontso called for South Africa to take a stand and condemn the United States and Russia for threatening us with World War 3. To neutralise their aggression, "they should not have veto power in the UN Security Council. And must allow Africa to have a permanent seat in it."

"As stated by the Secretary General of UN, this conflict is an assault on the poor and marginalised because it would have a lasting impact of the food value chain. As a result, the future looks bleak, food security and food supply is now at risk more than ever before," Mr Thyontso said.

Member of Parliament Mr William Madisha said: "This conflict will lead to more unemployment and lower our 2021/2022 gross domestic product (GDP) than previously projected. To date, R77 billion of South Africa businesses in Russia have been affected by this conflict."

Giving the economic scenarios that are likely to befall South Africa in the wake of this conflict, the Deputy Minister of Finance, Mr David Masondo, admitted that it poses significant risks to our economic outlook, but its effect has not yet been fully realised. Much of what will be affected is wheat, maize and oil supplies. The increase in price of these household staples will add to inflation and will reduce the disposal income of consumers.

To mitigate this, he said: "We are in talks with the Department of Minerals and Energy to see how we can review the fuel levy, but we have to be cautious about this. It can't be hastily done, because it could have an undesirable impact on other industries."

However, he assured the House that trade between South Africa, Russia and Ukraine is minimal. Nonetheless, any sanctions could impact on our trading partners and these shocks will be felt in the South African economy. The only positive effect of the conflict is the resurgence in the gold price. He emphasised President Ramaphosa's call for the conflict to be resolved through dialogue and diplomacy.

## National assembly debates impact of Russia-Ukraine war on South African economy



# President Ramaphosa answers MPs on Russia-Ukraine war

*The war between Russia and Ukraine casts a long shadow on the world's economic outlook and has given rise to contending views on how South Africa should approach its diplomatic stance. This emerged when President Cyril Ramaphosa faced questions on the issue in the National Assembly recently, writes Abel Mputing*



President Ramaphosa prefaced his remarks by saying that the United Nations (UN) Security Council needs reform, so that other perspectives are considered in the work to promote peace and stability in the world. The African voice would add a great deal to this project and its absence weakens UN's peace-keeping work.

MP Mr Mkhuleko Hlengwa asked the President if the government considered the invasion of Ukraine a war or conflict. The President replied that the government will not take an adversarial stance on the conflict. Nonetheless, the conflict should cease and mediation and dialogue should increase. While others call for aggression, we are interested in the outcomes of the negotiations that are currently taking place, he said.

He further added that those who say we have not taken side on this conflict are wrong. The South African government stance is informed by the lessons we learnt from history. When we were asked to broker peace in Northern Ireland, one of the conditions was the cessation of conflict to create a conducive environment for guns to be silenced. That is what we asking for in this conflict. We have therefore taken a side, a side of peaceful negotiations.

America and the United Kingdom have recently invaded many countries in the

Middle East. What impact has this had on the ability of multilateral relations to promote harmony, asked Ms Ntombovuyo Mente.

The President replied, we have seen the devastation of these invasions, which happen repeatedly. Russia sees the expansion of National Atlantic Treaty Organisation (NATO) in Eastern Europe as a threat to its sovereignty. We need to negotiate these concerns and not resolve them through war or sanctions.

Mr John Steenhuisen asked how the government will address the rising cost of food. The President replied that the government's economic reconstruction plans consider the plight of the poor and 52% of government consolidated spending is allocated to grants. These pro-poor measure help ameliorate this problem.

Mr Steenhuisen asked a follow-up question. Given the rising cost of living, will you consider cutting the petrol levy and value-added tax on meat.

The President replied that there will be no increase on the petrol levy. We are currently working on that and this measure will be implemented soon. We have established a committee to give consideration to all impending prices increases and how they can be mitigated.

As a compassionate government this concerns us. We will also consult broadly to come up with a consolidated approach. The government has said that it is the private sector's responsibility to create jobs. However, Ms Omphile Maotwe said that this strategy has failed elsewhere, so why would it succeed here?

We must create conducive environment to those who create 70% of jobs in this country, the President replied. Most jobs are created by small and medium enterprise. They are the engine of growth. Let's allow them to play that role productively and to continue to create jobs. If we allow small business to thrive, we can address this situation.

What does the government intend to do to support small and medium enterprises and to promote inclusive growth, asked Dr Kenneth Jacobs?

South Africans don't lack the entrepreneurial spirit but we need unlock this potential, the President replied. We also need to cut the burden of compliance impose by our laws on anyone who wants to start business. The presidency is working hard on that and we seek to ensure that state institutions such as Small Enterprise Development Agency harness this entrepreneurial spirit to turn job seekers to job creators.

Mr Steenhuisen wanted to know why the

state of disaster was not terminated. The President replied that the government resolved that it would allow them to keep tabs on the pandemic, which is still a concern. There are still infections, people are still dying and many people are still unvaccinated. It would be irresponsible of us to suddenly open up everything without any precautions. Play your part and help us to fight this pandemic to protect livelihoods and to open up our economy even more.

Will the government acknowledge that the Department of Public Enterprise has failed in its mandate to turn around the fortunes of state-owned enterprises, asked Mr Hlengwa.

The report of state capture urges us to reposition these entities if they are to fulfil their economic and social mandates. We have resolved that the Centralised Shareholder Model would improve the monitoring and evaluation of these entities in relation to norms of commercial standards. And will enable government to play an effective oversight over them.

This model would also enable them to develop strength to ensure they are profitable. The Presidential Council on SOEs is currently reviewing the state ownership policy of SOEs to transform their governance to ensure that they are repositioned to serve their social and economic mandate.

Mr President, we're continuously faced with electricity outages at a high cost to our economy. And you have allowed an electricity tariff increase to go up by 400% to cover for your cabinet and corruption. These increases come from the pockets of the poor and vulnerable. Why do you allow this to happen, asked Mr Steenhuisen.

Electricity increases are approved by NERSA, an independent body. Eskom has its own set of challenges. I have stated that we currently have a shortage of 400 Mg due to a combination of old electricity infrastructure and continuous break down of Medupi and Kusile, which give rise to load shedding. Government has taken measures to ensure that Eskom is geared towards procuring diversified energy in future, including renewable energy. There are also private investors in a race to achieve that. Ultimately, we want to have cheap energy and renewable energy is a solution to that.



# NCOP debates human rights and the need to reduce poverty and inequality



*Minister of Justice and Correctional Services: Mr Raymond Lamola*

*The Minister of Justice and Correctional Services recently led a Human Rights Day debate in the National Council of Provinces (NCOP) on the topic: The Right to Equality – reducing poverty and inequality; writes Sakhile Mokoena.*

He first reminded the House about the history of South Africa's human rights violations and inequalities under colonialism and apartheid. "The apartheid regime deprived black South Africans of their citizenship and abolished their human rights. Apartheid left us with many scars that we continue to heal.

"In addressing this painful legacy of the past, government has passed legislation that enhances human rights for all South Africans, irrespective of race, belief, creed, sexual orientation and gender," the Minister said.

Minister Lamola added that the democratic government also established institutions, such as the South African Human Rights Commission, to tackle all manifestations of human rights violations. "Our commitment to human rights is unwavering. The Bill of Rights in our exemplary Constitution enshrines the rights of all people in South Africa and

affirms the democratic values of human dignity, equality and freedom. The Bill of Rights applies to all law and binds the legislature, the executive, the judiciary and all organs of state," he said.

NCOP delegate Ms Delmaine Christians argued that human rights violations across the world are escalating and questioned whether humanity has lost its values. "We need to question what the role of governments across the world play in alleviating the burden of human rights violations. South Africa has a long history of human rights violations, and it has been recently reported that we are one of the most unequal societies in the world, where a large majority is still excluded from socio-economic development based on race, gender and disability," said Ms Christians.

She also alleged that the persistent poverty and growing inequality across the country were a sign that government has failed to protect its citizens, and has not created a conducive environment to ensure sustainable and equitable development. "In the past decade, poverty has intensified, and the failings of government have been brought to light. Strategies aimed at eradicating poverty have been largely ineffective and the reason for this is corruption as well as the inability of government to implement strategy and policy," said the NCOP Member.

The House Chairperson for Committees and Oversight in the NCOP, Mr Jomo

Nyambi, defended government's performance in reducing poverty. However, he also acknowledged that a lot still needs to be done to address the high levels of poverty and inequality that block

majority".

"The right to equality remains but a distant dream for black people due to the triple challenges of unemployment,

*"while democracy has provided some freedom for South Africans, it is not enough, and not enough has changed for the black majority".*

economic development and growth.

"The provision of basic services is a basic human right for all our people. The ANC government is committed to reducing poverty and inequality through social spending in education, health and social development. We are confident that we will reduce poverty and inequality in our society," said the House Chairperson.

Commenting on Human Rights Day on 21 March each year, Mr Nyambi said the day was a painful reminder of the brutality of the apartheid system, and the resilience of black people against apartheid and colonialism which led to the freedom and democracy we enjoy today.

Another NCOP Delegate Ms Mmabatho Mokause said the debate is an opportunity to consider that "while democracy has provided some freedom for South Africans, it is not enough, and not enough has changed for the black

persistent poverty and wide spread socio-economic inequalities. The right to equality is an important part of South African history. However, our appealing human rights norms are yet to be translated into meaningful reality," said Ms Mokause.





# Intergovernmental intervention required to deal with challenges at PRASA, says SCOPA

*The Standing Committee on Public Accounts (SCOPA) conducted an oversight visit to the Passenger Rail Agency of South Africa (PRASA) in Gauteng and the Western Cape recently; writes Faith Ndenze.*

President Ramaphosa prefaced his remarks by saying that the United Nations (UN) Security Council needs reform, so that other perspectives are considered in the work to promote peace and stability in the world. The African voice would add a great deal to this project and its absence weakens UN's peace-keeping work.

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# South africans tell Committee what they think about Electoral Amendment Bill



*The Portfolio Committee on Home Affairs has concluded an extensive nationwide public participation process on the Electoral Amendment Bill, paving the way for the next step in adhering to the directive given by the Constitutional Court, writes Malatswa Molepo.*

The Chairperson of the committee, Mr Mosa Chabane, appreciated the work of the Ministerial Advisory Committee, which he said had developed a foundation for this electoral discourse.



The public hearings were preceded by two virtual hearings, in which stakeholders such as the Independent Candidate Association, the New Nation Movement, One South Africa Movement, the Council for the Advancement of South African Constitution, and the Inclusive Society Institute participated. The committee then held 27 public meetings across the country, it visited areas such as Thohoyandou, Ladysmith, Upington, Senekal and Khayelitsha, where on average 20 speakers spoke per public meeting. Those meetings were preceded by public engagements with stakeholders and the community through the Parliamentary Public Education Unit and the Parliamentary Democracy Office, where the people were educated about participation on the Bill and its objectives.

Mr Chabane said the committee is satisfied that the engagements assisted the process and enabled South Africans to participate meaningfully in expressing their views on the Bill.

People expressed mixed views on the Bill, some supporting it and others rejecting it. The collegiality that characterised all the hearings is to be admired and is testament to the vibrancy and openness of South Africa's democratic order. The committee appreciates the open, frank and vibrant public participation that characterised public hearings on the Bill in all the provinces.

The majority of the supporters of the Bill said it takes the electoral system towards a new order that will ensure accountability from public representatives. They hoped that it will lead to better quality service delivery. The question of funding for independent candidates was an important aspect for participants in the public hearings, with

many of them calling for the Political Funding Act to be amended to include independent candidates.



Participants who were against the Bill argued that it is unconstitutional and does not allow for the true direct elections of independent candidates to Parliament. They argued for a constituency-based system, with the name and face of the independent candidate being elected to be included on the ballot. Furthermore, others suggested that there is a need for all 400 seats of the National Assembly to be directly voted for from constituencies.

As public participation has now been concluded, the committee will meet to consider all the submissions made during both physical and virtual public hearings. The Department of Home Affairs will be invited to give its views on the submissions and then a report will be drafted, leading to the consideration of the updated version/s of the Bill.

