



**MINUTES OF THE VIRTUAL MEETING OF THE STANDING COMMITTEE ON TRADE, INDUSTRY, FINANCE AND INVESTMENT (TIFI) HELD ON THURSDAY, 29<sup>TH</sup> OCTOBER, 2020**

**PRESENT**

The virtual meeting of the Standing Committee on Trade, Industry, Finance and Investment (TIFI) was held on Monday, 6<sup>th</sup> July, 2020. In attendance were the following Members who convened via Zoom:

|                                |                    |              |
|--------------------------------|--------------------|--------------|
| Hon. Anele Ndebele             | (Chairperson)      | Zimbabwe     |
| Hon. Ruth Mendes               | (Vice Chairperson) | Angola       |
| Hon. Dumelang Saleshando       |                    | Botswana     |
| Hon. Tsepang Tsita-Mosena      |                    | Lesotho      |
| Hon. Denis Namachekecha        |                    | Malawi       |
| Hon. Jimmy Donovan             |                    | Madagascar   |
| Hon. Rosina Ntshetsana Komane  | Proxy              | South Africa |
| Hon. Dr. Situmbeko Musokotwane |                    | Zambia       |

**ABSENT WITH APOLOGY**

An apology from the Parliament of Eswatini was noted.

**IN ATTENDANCE**

|                       |                           |
|-----------------------|---------------------------|
| Ms. Boemo Sekgoma     | Secretary General         |
| Mrs Edna K Zgambo     | Committee Secretary       |
| Mr Sheuneni Kurasha   | Programmes Manager        |
| Mr Rangarirai Chikova | Resource Person (AFRODAD) |
| Mr Adrian Chikowore   | Resource Person (AFRODAD) |
| Mr Misael Kateshi     | Resource Person           |

## **AGENDA**

On a proposal by Zambia and Seconded by Malawi, the agenda was adopted without amendments as set out below.

- a. Credentials of Delegates and Apologies.
- b. Adoption of the Agenda.
- c. Welcome Remarks by the Chairperson of the Committee.
- d. Consideration of Minutes and Matters Arising from the Minutes of the previous Meeting held from 6<sup>th</sup> to 7<sup>th</sup> July, 2020.
- e. Consideration of the draft work plan for the year.
- f. Consideration of the Theme *Enhancing the Role of Parliament in Budgeting for Increased Budget Credibility and Public Financial Accountability in times of Pandemics and Crises*.
- g. Any Other Business.
- h. Conclusion and Closing remarks by the Chairperson.

### **1. WELCOMING REMARKS**

The Standing Committee met under the theme, 'Enhancing the Role of Parliament in Budgeting for Increased Budget Credibility and Public Financial Accountability in times of Pandemics and Crises.' The Chairperson of the Standing Committee on Trade, Industry, Finance and Investment (TIFI), Hon Anele Ndebele, welcomed the Members and resource persons to the meeting. The Chairperson acknowledged that by leveraging the limitless possibilities that Information Technology (IT) offered, the Forum had made it possible for Members of the Forum, wherever they were, to discharge their mandate, which included representation, law making and ensuring accountability. The Chairperson noted that the theme under consideration was timely and relevant because a defining characteristic of crises and pandemics was their unpredictability. This necessitated pre-emptive planning and budgeting to ensure robust, timely and adequate responses, ideally those that were financially supported by domestic resources.

In conclusion, Hon Ndebele invited Honourable Members to join him in congratulating His Excellency Mr Wavel Ramkalawan, a former Member of Parliament of the SADC Parliamentary Forum on his well-deserved election as President of the Republic of Seychelles.

### **2. CONSIDERATION OF THE WORKPLAN**

On a proposal by Angola and Seconded by Zambia the work plan was adopted as follows:

- i. Summer School organised by the African Forum and Network on Debt and Development (AFRODAD to be held on );
- ii. Review of the status of ratification of SADC Protocols on a date to be advised; and
- iii. Review of the One Stop Border Posts on a date to be advised.

### **3. CONSIDERATION OF THE MINUTES AND MATTERS ARISING FROM THE MEETING OF THE TIFI STANDING COMMITTEE HELD ON THURSDAY, 23<sup>RD</sup> MAY 2019, PREMIER HOTEL O. R TAMBO AIRPORT, JOHANNESBURG, SOUTH AFRICA**

On a proposal by Malawi and seconded by Lesotho, the minutes of the previous meeting were adopted without amendments and the minutes were approved as a true reflection of the TIFI Standing Committee meeting which took place on Monday, 6<sup>th</sup> and Tuesday, 7<sup>th</sup> July, 2020. Further, no matters arising were raised,

#### **4. Budget Credibility and factors driving low budget credibility**

The Standing Committee on TIFI received and considered an expert presentation from Rangarirai Chikova a Policy Analyst for Domestic Resources Mobilisation from AFRODAD. Mr. Chikova's presentation highlighted the important issues as outlined below.

- 4.1 Budget credibility was noted to be a fundamental objective of any developing Public Financial Management (PFM) System. It was recognised as an important component of effective institutions in the Sustainable Development Goals (SDGs) framework.
- 4.2 A credibly implemented budget was one that had only small deviations from the approved one both in terms of overall expenditure and revenues and in terms of the allocation between programs.
- 4.4 Factors driving budget incredibility included: under spending which could occur when revenue collections were lower than anticipated, delays in receipt of revenues and unpredictable revenue flows. Others included ineffective procurement systems and inflexible procurement rules that made it difficult to execute and insertion of infeasible projects into the budget by legislators thereby exacerbating budget credibility
- 4.5 Regarding underspending in developing countries, on average, national budgets in aggregate were underspent by almost 10 per cent. Levels of underspending were also higher in critical sectors, such as agriculture, Education and health.
- 4.6 High reliance on mineral rents, weak tax laws, Illicit Financial Flows (IFF), large informal sector, corruption and tax holidays were noted to be the major factors related to revenue deviations. Between the year 2004 and 2013, a cumulative of USD 309 Million had been lost from the SADC Region through IFF.
- 4.7 Pandemics, crises and national disasters were unforeseen circumstances which usually resulted in governments spending more than they had planned.
- 4.8 In the context of the Covid-19 Pandemic, the SADC region economic growth forecast was revised from a growth of 2.3 per cent in October 2019 to a contraction of 3.4 per cent in April 2020. As a result, the fiscal deficit of the SADC region was estimated to widen to 8.9 per cent compared to

the October, 2019 of 4.5 per cent, a reflection that the region spent more than what was planned.

- 4.9 Lock downs and temporary closure of companies resulted in revenue losses. IFF also rose due to the fact that countries were placing greater attention to control the spread of the pandemic and giving a blind eye to smuggling.
- 4.10 The presenter noted that prior to the Covid-19, 45 million people were estimated to be food insecure in the SADC Region as a result of climate shocks, as well as structural macro-economic factors. Covid outbreak and its debilitating impacts on livelihoods exacerbated the situation.
- 4.11 To effectively ensure budget credibility, the TIFI Committee was informed that Honourable Members must actively engage in, among other things, Pre-budgets debates and take stock of what had worked in the previous year and devise ways to address identified challenges and see to it that parliament becomes aware of the government's fiscal policy intentions.

**The TIFI Standing Committee concluded and resolved as follows:**

Following the presentation, the TIFI Committee discussed and drew the following conclusions and recommendations

- a. Budgets that were not credible undermined confidence between those who provided funds (taxpayers and donors) and those entrusted to administer them in accordance with the agreed plan.
- b. Ineffective procurement systems especially during pandemic and crises created room for revenue leakages and made it difficult to execute budgets as appropriated. It was the responsible of Parliaments to enhance fiscal transparency practices, such as adopting measures to report whether budgets had been executed as planned, or whether there had been deviations along with clear explanations for the reasons for deviations.
- c. Forgone revenue through unnecessary tax holidays could potentially increase government revenue and reduce the burden of accruing debt to finance national budget. This called for national Parliaments to legislate on laws that curb IFFs, tax evasion, tax avoidance including eliminating harmful tax holidays.
- d. National Parliaments should thoroughly scrutinise tax mining development agendas so that our governments do not continue losing revenue through clauses embedded in these agendas.
- e. As a result of crises and pandemics, nations were quick to borrow from both domestic and international economies to respond to the effects brought about by crises. The increase in debts implied less resources for budget allocations to critical sectors such as education, health and agriculture because collected revenues are diverted to debt servicing.
- f. Most budgets were based on unrealistic assumptions and weak frameworks. Therefore, there was need to strengthen national governments' revenue planning and forecasting by addressing gaps in

technical capacities and removing political incentives to inflate revenue projections

- g. During unprecedented pandemics or crises, expenditure control mechanisms turned out to be weaker in practice, fiscal rules and procurement procedures were flouted in the process due to the perceived urgency to respond to the effects of the pandemic. In times of pandemics, parliamentary oversight must be fully exercised to ensure prudent utilisation of resources by the Executive. Further, national fiscal transparency practices must be enhanced.
- h. Covid Pandemic outbreak and its debilitating impacts on livelihoods had exacerbated the livelihood situation in the SADC Region. Prior to the Covid-19, 45 million people were estimated to be food insecure in the SADC Region as a result of climate shocks, as well as structural macro-economic factors. Therefore, national governments must develop roadmaps, guiding spending towards poverty alleviating programs and effective delivery of public services and progress on sustainable development.

## **5.0 International Public Finance and Budget Credibility in SADC**

The Standing Committee on TIFI received and considered an expert presentation from Mr Adrian Chikowore, the Policy and Research Consultant in International Public Finance at AFRODAD. Mr. Chikowore's presentation highlighted matters as outlined below.

- 5.1 The TIFI Committee was informed that Financing for Development (FfD) was about promoting a comprehensive and integrated approach to providing the policies and resources needed to support sustainable development around the world.
- 5.2 It included the mobilisation of domestic resources (such as tax revenues), international financial resources (such as Official Development Assistance (ODA) and Foreign Direct Investment (FDI), remittances and Public Private Partnerships (PPPs).
- 5.3 The presenter highlighted that harnessing the role of the private sector in financing development, maximising the use of innovative financing sources and mechanisms as well as increasing trade capacity and investment to create jobs and promoting debt sustainability were also tenets of FfD.
- 5.4 Given the challenges in raising finances domestically and falling ODA and FDI, PPPs had become critical in raising resources from private sector for development interventions. As such, governments had been raising capital/financing through partnerships with private actors. However, the results had not been all positive especially recognising the fact that PPPs were seldom on the budget books of governments thereby giving a false picture on the fiscal position of governments.
- 5.5 Eight countries had dominated the blended finance/PPP deal share in the sub-Saharan region with Uganda at the top accounting for at least 34 per cent with an average deal size of \$205 million per year between 2012 and

2017. DRC accounted for 11 per cent share of blended finance/PPP deals in the region with an average deal size of USD\$230 million. The difference between these top 8 blended finance/PPP destinations was based upon geography, resources endowments and sectors in which finances were disbursed towards or sectors in which private sector realised profit with limited risks.

**The TIFI Standing Committee concluded and resolved as follows:**

Following the presentation, the TIFI Committee discussed and drew the following conclusions and recommendations.

- i. Given the challenges in raising finances domestically and falling ODA and FDI, SADC Governments must harness the role of the private sector in financing development, maximising the use of innovative financing sources and mechanisms in order to sustainably provide required services to citizens.
- ii. National parliaments must enhance oversight on ODA disbursements and PPP contracts in respective countries in order to maximise returns from PPP projects and obtain value for money through the ODA.
- iii. Member countries must increase advocacy on sustainable financing instruments through Pro-People development finance especially on PPPs including inclusive stakeholder consultations on PPPs. Member countries must enhance capacity development on the implications of International Public Finances on national budgeting cycles.

**6.0 Role of Parliament in Budgeting and Oversight with Particular Reference to the COVID-19 Pandemic and other Crises**

The Standing Committee on TIFI also received and considered an expert presentation from Mr Misael Kateshi, the Head of Department for the Budget Office at the Zambian Parliament. A summary of the presentation was as outlined below.

- 6.1 Oversight was one of the functions of the Legislature and in most jurisdictions. The Constitution mandated Parliament to oversee the performance of the Executive functions.
- 6.2 The TIFI Committee was informed that crises came in many forms and varying degrees of severity and location. They could be as a result of human activity or could be natural.
- 6.3 Measures that governments could take to deal with a crisis or pandemic included fiscal and monetary policy measures. Huge amounts of resources were usually mobilised domestically and externally to deal with any crisis. These measures usually came with accountability issues.
- 6.4 The presenter submitted that experience suggested that reasons for accountability challenges included: large scale of spending which triggered

rent-seeking behaviour, uncoordinated involvement of many actors created opportunities for inefficiency and leakage, the speed with which interventions were implemented tended to result in Public Financial Management (PFM) regulations being relaxed such as those relating to procurement, accounting for extra-budgetary funds, and ex-post verification.

- 6.5 The Committee was informed that it was important for Parliaments to scrutinise the allocation of donated resources and reallocation of savings arising from debt relief such as the Debt Service Suspension Initiative.
- 6.6 It was noted that multi-sector approaches to deal with crises were incomplete without parliamentary involvement. Therefore, oversight mechanisms during a crisis must include activities such as The Parliamentary Committee System, Motions and Petitions, among many others.
- 6.7 Therefore, Parliamentary Budget Offices and Research Units and Parliamentary Committees needed to be capacitated and active in order to be relevant in supporting Honourable Members and providing accountability respectively during a crises or pandemics.
- 6.8 The presenter emphasised on the need for the crisis resolution process to be transparent and that all stakeholders should have access to information. In addition, closer collaboration with Civil Society Organisations (CSOs) must exist as they conduct social accountability exercises.
- 6.9 It was proposed that Supreme Audit Institutions should as much as possible conduct special audits on programmes to deal with any crisis in a timely manner in order to arrest anomalies.

Following the presentation by Mr Kateshi, the TIFI Committee discussed and drew the following conclusions and recommendations.

- i. The SADC Parliamentary Forum and national parliaments must actively engage in capacitating parliamentary budget offices, Research Units and Parliamentary Committees needed in order to be relevant in supporting Honourable Members and providing accountability during a crises or pandemics.
- ii. There was need for the SADC governments to provide a transparent crisis resolution process and ensure that closer collaboration with CSOs existed. In addition, national parliaments must ensure all stakeholders had easy access to information required for their social accountability exercises.

- iii. Importantly, Supreme Audit Institutions should as much as possible conduct special audits on programmes to deal with any crisis in a timely manner in order to address the findings in accordance with the provisions of the PFM legislation.
- iv. Finally, the Committee emphasised the importance of Parliaments to scrutinise the allocation of donated resources and reallocation of savings arising from debt relief such as the Debt Service Suspension Initiative.

### **Conclusion and Vote of Thanks**

The Chairperson extended his profound appreciation on behalf of the Committee to the resource persons from AFRODAD and the Parliamentary Budget Office in the Zambian Parliament for positively responding to the call. Hon Ndebele urged the Honourable Members to make use of the valuable lessons learnt to make a difference in their oversight, legislative and representative roles in their respective parliaments, including during pandemics and crises.

Some Honourable Members expressed concern on the low participation of some Committee Members. The Committee Chairperson urged all Members to prioritise activities of the Committee even amidst the inability of convening physically to discuss matters that concern the SADC region.

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Hon. Anele Ndebele  
**COMMITTEE CHAIRPERSON**

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Mrs Edna K Zgambo  
**COMMITTEE SECRETARY**