

REPUBLIC OF SOUTH AFRICA

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# **PUBLIC FINANCE MANAGEMENT AMENDMENT BILL**

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*(As introduced in the National Assembly (proposed section 76); explanatory summary of  
Bill and prior notice of its introduction published in Government Gazette No. 41999  
of 25 October 2018)*  
*(The English text is the official text of the Bill)*

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(Mr R A Lees, MP)

**[B 41—2018]**

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## **MEMORANDUM ON THE OBJECTS OF THE PUBLIC FINANCE MANAGEMENT AMENDMENT BILL, 2018**

### **1. INTRODUCTION**

Section 70 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (“the Act”), currently grants any Cabinet member the power to issue a guarantee, indemnity or security with the written concurrence of the Minister of Finance. Such a guarantee, indemnity or security may bind the National Revenue Fund in respect of a financial commitment incurred or to be incurred by the national executive, or may bind a national public entity in respect of a financial commitment incurred or to be incurred by that public entity. Despite the significant impact such a guarantee, indemnity or security may have on the economy of the Republic of South Africa, the Act does not make sufficient provision for parliamentary oversight. The Act does provide that the relevant Cabinet member must report any circumstances that resulted in a payment being made under a guarantee, indemnity or security to the National Assembly, but such a report is after the fact. No provision is made for Parliament to be notified when such an instrument is being issued. Should these instruments be subject to public scrutiny from the outset, many of the risks that these instruments pose to the economy, may be addressed timeously.

### **2. OBJECTS OF THE BILL**

The purpose of the Bill is to extend Parliament’s oversight capacity in relation to the granting or refusal of government guarantees, indemnities and securities in terms of the Act. The Bill provides that the Minister of Finance must table a report in Parliament which sets out his or her decision to approve or reject such a guarantee, indemnity or security no less than 30 days after such guarantee, indemnity or security has been approved or rejected in terms of section 70(1) of the Act.

### **3. CONTENTS OF THE BILL**

3.1. Clause 1 requires the Minister to table a report in the National Assembly within 30 days of granting or refusing a request from a Cabinet member to issue a guarantee, indemnity or security, setting out details of the request, the Minister’s decision and the reasons for such decision.

3.2. Clause 2 provides for the short title and commencement.

### **4. FINANCIAL IMPLICATIONS FOR THE STATE**

None.

### **5. PARLIAMENTARY PROCEDURE**

5.1 It is proposed that the Bill must be dealt with in accordance with the procedure established by section 76 of the Constitution as it deals with matters envisaged of Chapter 13 of the Constitution.

5.2 The member is of the opinion that it is not necessary to refer this Bill to the National House of Traditional Leaders in terms of section 18(1)(a) of the Traditional Leadership and Governance Framework Act, 2003 (Act No. 41 of 2003), since it does not contain provisions pertaining to customary law or customs of traditional communities.

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