Association for Monitoring and Advocacy of Government Pensions (AMAGP)

NPO Registration No: 198-822

SEMPER VIGILANS

The Association for Monitoring and Advocacy of Government Pensions: A volunteer independent group of pensioners and civil servants concerned about the long term viability of the GEPF and sustainability of its return on investments.

www.AMAGP.co.za

GEPF Watchdog - Waghond

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GEPF
your investment, your future

NEWSLETTER NO 9 of 2023

AMAGP – Association for Monitoring and Advocacy of Government Pensions
AR – annual report
BOT – Board of Trustees [of the GEPF]
FSCA – Financial Sector Conduct Authority [previously the FSB]
GEPF - Government Employees' Pension Fund
PIC – Public Investment Corporation
PSA – Public Servants' Association
ROI – return on investment
SCOF – Standing Committee on Finance
SCOPA - Standing Committee on Public Accounts
SLAPP - Strategic litigation against public participation
SOE – state owned entity

The Government Employees Pension Fund (GEPF) is Africa's largest pension fund. We have more than 1.2 million active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1.61 trillion. GEPF is a defined benefit pension fund that was established in May 1996 when various public sector funds were consolidated. Our core business, which is governed by the Government Employees Pension Law (or GEP Law), as amended, is to manage and administer pensions and other benefits for government employees in South Africa. https://www.GEPF.gov.za/ dd 18 September 2023.

***WE ARE THE OWNERS OF THE GEPF** and we have the right to expect the GEPF BOT and the PIC to manage and invest OUR money in a responsible and profitable way, to the advantages of members and pensioners. Note the misbalance: the single pensioner on the BOT representing all 450 000 pensioners and the 15 representatives from the multitude of trade unions and government departments representing the 1,2 million contributing members.*

The AMAGP does not want any GEPF member to leave the Fund, because it still is the best pension fund in the RSA. BUT, we as members and owners of the Fund have to protect it against abuse.

The Editor's Word

Over the years it has become abundantly clear that the GEPF is extremely reluctant to be transparent in its activities, activities which should have only one goal/purpose/aim, to invest to the advantage of its members, namely you. Similarly, the PIC, our primary investment agent. AMAGP's purpose is stated at the top of the first page of every newsletter.

For those who question what AMAGP's unpaid volunteers have achieved, you only have to read the regular AMAGP media releases, questions asked in parliament, articles in newspapers quoting AMAGP. See below for only some of the AMAGP successes over the years:

1) Informed politicians about possible corruption (?) etc at Unlisted Investments - ISIBAYA. The DA then forced the PIC to give full particulars to SCOF.
2) Objected and co-operated with an organisation concerned [AIKONA] with nature conservation against investment in an hotel for a particular race group in the Kruger National Park [Tomfenene]. The PIC withdrew.
3) With the PSA, uncovered and forced the PIC to, within 14 days, to pay back R5bn plus R30mn interest illegally advanced to Eskom to pay salaries.
4) Created concern by politicians, economists, public and pensioners in various schemes to prevent converting investments in Eskom to shareholding.
5) Stopped the creation of a "special financial vehicle" for the PIC to take over R256bn debt of Eskom.
6) With the help of politicians and commentators, created pressure by the media that stopped investments in the bankrupt SAA.
7) Forced municipalities of Tshwane, Brits and Potchefstroom to repay loans made before an election.
8) Instigating the Commission of Inquiry into the PIC.
9) Ongoing agitation about the parlous situation at Daybreak farms, an Isibaya project.
10) Regular appearances on eNCA and eTV as well as popular radio stations.

Note again. All this and more achieved by still unpaid volunteers.

The lack of transparency by the GEPF seems to have increased since AMAGP continued to expose dubious investments and actions. The vague reporting on the implementation of the Mpati Commission's findings is another clear example – what does 70% completed mean? Steering clear of the oversight of SCOF and SCOPA meetings and avoiding answering questions. Quietly filing, it seems, the Mpati Commission's recommendations. The recent advertisements for GEPF bursaries with no announcement - there is no ROI on bursaries, nothing. How is that going to improve our Fund's funds? Rember the student protest "Fees must fall" some years ago and the aborted attempt for the GEPF to take up all the student debt, ie for the GEPF to pay for it all with no ROI?

Solidarity has submitted a number of PAIA applications to the GEPF, in close co-operation with AMAGP. Further applications to the PIC, Treasury [PIC oversight], UIF and Compensation fund may follow. These applications will probably lead to protracted litigation if the normal delaying processes are followed, court appearances, then appeals at several levels and courts, possibly or probably taking several years. Let's take a look at the probable worst case scenario in this PAIA process:

- The PAIA request must be answered within 30 days of being received.
- If voluminous documentation is involved, postponement of 30 days can be requested.
- If the requested information isn't supplied, as is expected, it is regarded as the request has been denied.
- An appeal must then be lodged to be replied to within 30 days.
- Once again, if no reply is received, litigation is required, comprising about 12 months for compiling the documents, submission to the court, waiting for court date and finding.
- If the court finds in our favour, the information requested will probably be partial, insufficient, fragmentary, etc, requiring further court action. Another about 12 months.
- If, at last, thousands of pages are provided, estimate about 5 months for perusal, analysis, collation, etc.
- Another about 3 months to compile a sensible court application resulting from the

analysis, with a further about 12 months for a court date.

- If the court finding is in our favour, the next step will probably be appeal by the 'government'/PIC/GEPF leading to another about 12 months before the documents will be served by the court, with a further 12 months for the Appeal Court date.
- If we are successful, the next step, of course, would be for the 'government'/PIC/GEPF to appeal to the Constitutional Court. Further 12 to 24 months.

Note. Read up about the Stalingrad Defence and SLAPP again to realise what the full cost could be, all the while GEPF using our pension money to delay the inevitable as long as possible. Compare this process to the ongoing Public Protector saga. I still think any such protracted litigation must include a detail SARS investigation into the participants, seeing the incredible cost of such litigation. Compare the 19 year delay of Zuma's alleged bribery case, 4 years in the case of public protector Mkwhebane. Both paid for by the 'government' I believe.

You can see why this process needs an established organisation with access to sufficient funding. Which access the AMAGP doesn't have, as yet. See below.

The GEPF informed SCOF on 8 June 2022 ia:

> '*A memorandum of understanding (MOU) between the GPAA, the GPEF*[sic] *and the Public Servants Association (PSA) had been signed*.'

Very interesting indeed, as to the PSA possibly informing [or not] its members of the existence and implications of this MOU. Furthermore, and indeed worthwhile considering, the possible/probably similar MOU the GEPF has with other labour unions. Also, possibly/probably not common knowledge to the members of those labour unions? I like the word sinister [Latin for left] to reflect on such quiet happenings. This MOU is probably innocuous but then it should common knowledge amongst civil servants, not so?

It is common knowledge that the employer contributions to the GEPF is and has been in arrears for considerable time, that means many years. Employer in this case being the 'government' departments. It seems that a disclaimer note in a department's annual audit report is deemed sufficient to remind the relevant department of its responsibility without implying that it is a negative finding. Consider the damage to the GEPF ito of the lack of income, interest not received, etc. Also consider the apparent lack of interest by the GPAA and GEPF in correcting this gross neglect. It implies the relevant 'government' departments don't include the correct employer contributions in their annual budget. And if included in the relevant department's budget, why isn't is paid over to the GEPF? Which further implies negligence to execute the relevant provisions of the PFMA. Which in itself makes for interesting thoughts. Is this possibly part of the quiet MOU between the GEPF and unions?

When the 'two-pot' pension system is eventually implemented, the financial burden on the GEPF will spike immediately in the rush for members to withdraw all they can. Many of them to solve their immediate financial challenges and some, possibly, to invest in higher ROI investments. The long term damage to our Fund's funds is apparent, which implications will only be visible when the GEPF AR will be released about two years after the full implementation of 'two pot'. See article below.

It is now time for members and their labour unions to insist on a cost of inflation increase in the annual pension. Waiting for next year to roll around is too late for it to be included in the budget.

Confirming: the financial figures used in the newsletter are taken from the 2022 GEPF AR, which on its own reflects the GEPF financial status as at the beginning of 2022. Said figures currently <u>almost two years old</u>. And new figures will only be available whenever the 2022/23 GAPF AR is quietly released. Note the Fund has assets of R1,61trn according to its website, any larger figure would be the assets the PIC manages, which include our Fund's funds.

Dear reader, the appeal below has been in the previous two newsletters. The response has been underwhelming to say the most. Of the about 7 000 AMAGP members a few contribute and contributed. It doesn't seem as if most of the GEPF members are really concerned about their pensions.

Below are the details should wish to contribute to:

Project 'My Secure Pension':

In AMAGP's even message dated 27 June 2023 we conveyed our conviction that the state pension legislation allows for the Minister of Finance to exercise total control over the investment policy of state pensions which, we believe, contributed to the loss of R35bn of our pension money and a 2023 pension increase of only 75% of the inflation rate for state pensioners. We also requested your support for intended litigation to rid ourselves of this toxic political control.

In pursuit of above, on 1 Aug 2023 a request in terms of the Promotion of Access to Information Act was lodged to the GEPF for the disclosure of records and information held by the GEPF, commonly known as a PAIA-application. If or when received, these records will assist us in decision-making on the intended litigation.

The Act prescribe the process to follow this application as follows:

- the GEPF has 30 days to respond to the request: either to disclose the records or to refuse doing s;
- if the request is voluminous, the GEPF can request an additional 30 days to enable them collect and disclose the records;
- if they refuse to disclose the records, the applicant must lodge an internal appeal against that decision. The GEPF then must respond within another 30 days;
- if they persist in refusing or failing to disclose, we will have to approach the courts for an order to disclose. Both parties, through their teams of advocates, will present their cases to the presiding judge: AMAGP on the reasons why we are entitled to the records/ information and the GEPF on the reasons why they believe that they are not obliged to disclose. This can be a costly 18-to-24-month process.

Let us state it clearly: the GEPF is not a fund that is on the verge of insolvency, to the contrary, it still is perhaps the best pension fund in South Africa and well-funded.

Even if so, we believe it is totally unacceptable to 'lose' R35bn of state pension money to political friendly investments. The objective of Project 'My Secure Pension" is to ensure the sustainability of the fund and to prevent a future annual pension increase of only 75% of the inflation rate. The very fact that the GEPF could withstand a loss of R35bn rand without going insolvent must attributed to the fact that the fund is R2,3trn strong. The lost R35bn is 'only' but 1,5% of that R2,3trn. But R35bn is still a massive amount of money which, if divided by 35, turned 35 connected individuals fabulously rich each with R1bn (or one thousand million Rands) in the pocket.

The GEPF itself and all GEPF officials have a fiduciary duty to manage this massive amount of money in the best interest of the Fund. AMAGP believes that ridding the GEPF of political control is the biggest single factor that will contribute to the medium and long-term sustainability of our pension fund.

Join our pensioners-group AMAGP. Click on

[https://amagp.coffeecup.com/forms/amagp membership/](https://amagp.coffeecup.com/forms/amagp%20membership/)

and follow the instructions. Within a brief period, you will get a response and a membership number. To donate (an amount you can afford) to this project to litigate in defence of the sustainability of the Fund: arrange with your bank for a monthly stop order to AMAGP's bank account: Bank – FNB, branch: Brooklyn 251345, cheque account 627 4334 7454, use your (new) membership number or ID number as reference number.

Zirk Gous
2 Aug 2023

Comment
1. Any funding goes into the AMAGP bank account, which is audited and reported on annually and is available for detail scrutiny at the open AMAGP AGM.
2. Such donations may be tax deductable, check with your tax advisor.

Now for news from the media

Sasol has had its ups and downs but still seems to be delivering adequate ROI.

The absolute control over the GEPF is vested in the Minister of Finance, with the retirees making up about 25% of the total GEPF members, with one vote only. See the letter by Zirk Gouws in the Beeld below.

A warning to public servants about the dangers of the coming two-pot, from a knowledgeable person previously in the Treasury. Pay heed please.

Two articles about the 'government' running out of money, giving two converging views about the crises. Our Fund remains an attractive source of funds.

Lastly, the Department of Public Enterprises is going to be replaced by a new SOE, the State Asset Management SOC Ltd. Mmmm

NEWSNUUSNEWS

Synopsis

Sasol delivers on guidance despite ongoing headwinds

23 August 2023
by Editor BizNews

***This content is brought to you by Sasol**

Sasol's financial results for the year ended 30 June 2023 were impacted by the volatile global economic landscape and the underperformance of state-owned enterprises in South Africa, which continue to impact both our Energy and Chemical businesses. This impact was somewhat offset by a weakening of the R/$ exchange rate.

Earnings before interest and tax (EBIT) of R21,5bn declined 65% compared to the prior year, mainly due to the impairment of assets, inflationary impact on costs, the softening of the Brent crude oil price and refining margins in the latter part of the year. Chemicals basket prices were declining during 2023, and while we have recently seen some respite with lower feedstock and energy prices, gross margin and global demand remained depressed, particularly in our American and Eurasian segments.

Operating profit of R55,4bn increased 8% from the prior year, benefitting from gains on the translation of monetary assets and liabilities and valuation of financial instruments and derivative contracts of R6bn compared to R17,6bn losses in 2022. Remeasurement items contributed a net loss of R33,9bn compared to a net gain of R9,9bn in 2022. The remeasurement items for 2023 mainly relate to:

- The full impairment of the South African wax CGU of R0,9bn, the total impairment of the Essential Care Chemicals CGU in Sasol China of R0,9bn, and the complete reversal of impairment recognised in 2019 on the Tetramerisation CGU in Lake Charles of R3,6bn; and
- The Secunda liquid fuels refinery CGU impairment of R8,1bn on 31 December 2022, after being negatively impacted by an update in price assumptions, including higher electricity price forecasts and lower gas selling prices. An additional impairment of R27,2bn was recognised for this CGU, resulting in it being fully impaired. Sasol continues to advance the implementation of its emission reduction roadmap (ERR) in South Africa to achieve a 30% reduction in greenhouse gas emissions by 2030 and comply with the National Environmental Management: Air Quality Act 39 of 2004 requirements. The ERR involves turning down boilers, implementing energy efficiency projects, reducing coal usage and integrating 1 200 MW of renewable energy into our operations by 2030. With no significant additional gas to restore volumes to historic levels, the ERR assumes lower production volumes post-2030, resulting in increased cost of coal and capital expenditure. Optimisation of the ERR is ongoing, with several solutions underway to partially recover volume post-2030.

Sasol has made steady strides on our decarbonisation roadmap, with the signing of additional renewable power purchase agreements advancing implementation, with renewable power from the Msenge wind farm expected to be online by the first quarter of the calendar year 2024. This will support the production of green hydrogen from our existing assets at Sasolburg Operations. We continue to refine our roadmap for a sustainable and affordable transition.

Looking ahead, Sasol is committed to resetting and building resilience across our business, adapting to market dynamics and mitigating macro environment challenges to the extent possible.

Comment

We have about R22,5bn invested in Sasol. Sasol has its ups and downs as any company has but continues to provide ample ROI. Of course, this is general information released by Sasol and analysts will probably have different views.

Samevatting

Staatsdienspensioenfonds word onregmatig besit deur die Minister van Finansies

Die Beeld
30 Augustus 2033
Deur Zirk Gous

Die politikus, nl die Minister van Finansies, 'besit' die Staatsdienspensienfonds (SDPF) in stryd met grondwetlike beginsels.

Ingevolge wetgewing stel die Minister die meerderheid van die Trustees van die Fonds aan en word die beleggingsbeleid van die Fonds bepaal deur die Trustees, in oorleg met die Minister. Prakties 'besit' die minister dus die SDPF.

Die SDPF se beleggings word gedoen deur die Openbare Beleggingskorporasie (OBK) MAAR al die direkteure van die OBK word aangestel deur die Minister (in oorleg met die Kabinet) Boonop stel die Minister sy Adjunk as die voorsitter van die OBK-direksie aan. Verder is die OBK wetgewing verander in 2020 deur beleggingsprioirteite daar te stel wat klink soos 'n party-politieke ekonomiese manifes: om plaaslike werksgeleenthede te skep en te beskerm, die ekonomie en samelewing te omvorm en meer.

En die Mpati kommissie van ondersoek na die OBK het in 2020 reeds bevind dat ongeveer R35mijard van SDPF gelde deur swak beleggings verdwyn het – prakties beland het in sakke wat slegs beskryf kan word as polities vriendelike sakke

Hierteenoor: privaat pensioenfondse word 50-50 besit deur diegene wat bydra tot die fonds nl lede en die werkgewer met rade van trustees wat direk deur die lede en die werkgewer verkies word en waar alle beleggings in die beste belang van die fonds gemaak word.

Die Minister (of sy Adjunk) is nie die werkgewer nie – hy/sy is 'n politikus. Die staat as werkgewer is nie verteenwoordig op die SDPF Raad van Trustees of die OBK direksie nie. Dit is nie die funksie van 'n pensioenfonds om werk te skep en die ekonomie/samelewing te transformeer nie – dis die funksie van die staat. Beleggings moet te alle tye in die beste belang van die Fonds gemaak word – nie op party-politieke voorkeure nie

Die Minister van Finansies se betrokkendheid by en 'besitreg' van die SDPF is onkonstitusioneel en moet uitgeskryf word uit wetgewing. Maar die Minister sal vaskleef aan die beheer oor die SDPF se beleggingskrag van R2,3triljoen. Slegs die grondwet sal die SDPF kan red.

Zirk Gous

Kommentaar

Nou weet julle hoekom AMAGP.
Now you know why AMAGP.

Synopsis

Retirement fund warning

Daily Investor
By Shaun Jacobs
13 September 2023

Public servants have been warned against withdrawing from their retirement savings when the two-pot system starts in March 2024. This warning was issued by former Acting Director-General of the National Treasury, Ismail Momoniat, in an address to the Federation of Unions of South Africa (Fedusa) last week.

Momoniat urged public servants to be aware of the negative implications of withdrawing funds early from their retirement savings, saying they should seek financial advice beforehand. "I'm hoping none of you withdraw funds when the government allows you to withdraw funds because if you do, you're going to end up very poor later and rely on someone in your family to help you," Momoniat said.

"When you withdraw funds, you are suddenly surrounded by vultures, and you've got to watch out for that."

The two-pot system will allow public servants to withdraw a maximum of R2 000 per year from a retirement savings component. However, Momoniat said this should only be done in an emergency. He warned that withdrawing from retirement savings can harm long-term financial security.

From 1 March 2024, South Africans will be able to put their savings into two separate retirement pots. Up to one-third of all retirement contributions will go into a "savings pot", accessible once a year. A more standard "retirement pot" will receive at least two-thirds of the contributions made after 1 March 2024, which will only be accessible at retirement.

The new system will also discourage people from resigning to access their pensions – which has become more common in recent years, especially during the pandemic.

Momoniat said South Africans generally do not save enough, and retirement funds hardly yield 30% of what members earned before retiring. "I know it's tough, even for people who earn high incomes. If I weren't forced to save through the collective bargaining agreement and the GEPF, I would not have saved. There are a million better things to do."

Former Acting Director-General of National Treasury Ismail Momoniat

Old Mutual Corporate executive Nceba Pupuma echoed Momoniat's warning, saying that the two-pot system needs to be managed carefully, or members will end up borrowing from their future. He said that those who withdraw from their savings for non-essential reasons will be the ones who pay the price in the long run.

Keith Peter, Advice Manager at Old Mutual Personal Finance, said the new system has potential drawbacks despite its appeal. "The savings pot, while promising on the surface, should primarily be seen as a reservoir for emergencies. The temptation of short-term financial alleviation can lure consumers into frequent withdrawals," Peter said.

"However, such actions can drastically erode the capital necessary to generate an income during retirement." "This issue is exacerbated if the monthly contributions made to the fund, including the retirement and savings pots, are insufficient to meet the desired retirement income."

"On top of all that, the annual withdrawals from the savings pot will be taxed at the member's marginal rate, increasing tax liability."

Comment

Good advice not to withdraw from your pension before you aren't on pension. Note the tax on any withdrawals.
Further note, interesting that public servants are included in two-pot. Have you been officially informed of this?

Synopsis

The state has run out of money: Muddle or Reform?

Daily Friend
Jonathan Katzenellenbogen
13 September 2023

The National Treasury knows that South Africa is heading into an economic crisis, but it can't do much about that. It lacks the political authority to raise taxes and reduce spending by the amounts needed to restore longer-term confidence. And an election is less than six months away.

"During an election, nobody wants to increase taxes, but everybody wants to increase expenditure to buy votes. You can't have both," said Finance Minister Enoch Godongwana at the *News24* 2023 On The Record Summit last week.

Our budget deficit and government debt are way above what is manageable, leaving borrowing by the government vulnerable to a market freeze as investors dump bonds. An exchange rate, and possibly even a banking crisis, would almost certainly follow.

Debt service is fast growing and pushing up borrowing costs as well as cutting into state spending on health, education, and capital investment. Foreign investors might like the yields they are getting on our debt, but at some stage their tolerance for the country's risk will break.

Ultimate arbiter

The bond market will be the ultimate arbiter of any attempt by the Treasury to stabilise the situation. In its Financial Stability Report released in June, the Reserve Bank pointed to foreigners being net sellers of South African government bonds since 2019 as "a significant structural shift", especially in view of large borrowing by the state. That, it said, raised concerns about the capacity of local investors to continue absorbing new government bond issues.

The Treasury must come up with a solution by 1 November when the Minister is due to present the Medium-Term Budget Policy Statement, which covers the next three fiscal years. This is against a backdrop of tax receipts which are down over R22bn. Some economists expect the drop in revenue and higher expenditure could result in a R90bn funding gap this year. The longer-term worry is that the already narrow tax base is eroding.

With the election looming, there might be few peripheral cuts that impinge little on vested interests, a small tax rise, and more borrowing to cover the gap. But it is unlikely to be sufficient, and even when the election is out of the way the government is unlikely to be decisive.

Diminishing buffers

We have diminishing buffers against a crisis. With the drop in commodity prices and the problems at ports, South Africa has a widening current account balance of payment deficit. But a large stock of foreign exchange reserves helps give foreign holders some assurance that they can get out when they need to do so.

If the state tries to borrow its way out it will have to pay higher interest rates, adding to the already dangerously high debt burden and budget deficit. It cannot achieve big cuts or raise VAT on the eve of the election, as that could punish the ANC at the polls.

South Africa fiscal indicators are in dangerous territory and worse than many other emerging markets. Government debt is about 70% of GDP, and with slow economic growth and increased borrowing is due to rise further. Our fiscal deficit could be around five percent of GDP this year, compared to the under three percent the International Monetary Fund (IMF) likes to see.

Big decisions

Dodging the big decisions because it is election time could tip us into a crisis, particularly if there is a global economic shudder like a banking crisis or a spate of emerging markets running into problems.

If a crisis hits, South Africa may not have to rush to the IMF for a bailout, as it could draw on foreign reserves to at least try and stabilise the bond market. Our main problem is a budget deficit that we might not be able to finance, and not a shortage of foreign exchange.

That is what the ANC is very scared about, as the Fund is almost certain to insist that empowerment policies end, and that there are no more bailouts to SOE. It would undo decades of rule by and for the cadres.

Best is reform before a crisis, but more likely would be a push from a crisis. The ANC is likely to let the crisis go to waste. Muddle rather reform is more likely. The ANC is likely to say yes to a limited range of cuts and reforms and then stop short when it thinks things are sustainable enough.

Crisis-driven reform

Second best would probably be sudden and wide-ranging crisis-driven reform. The country's political leadership would have to come up with a story about having run out of options and a path of reform promising a better future. That is what India did in 1991.

India had almost run out of foreign exchange, the government was about to default, and the IMF suspended its loan. As a condition for a World Bank-IMF bailout, the economy was opened to foreign participation. Soon afterwards a new Prime Minister, Narasimha Rao, took over and undid decades of red tape, paving the way for India's rapid growth. It was thought to be impossible.

Let us dream on.

Comment

The threat to our Fund remains, the money the 'government' needs has to come from somewhere, but our Fund's funds will be a drop in the sieve in comparison to 'government' debt. However, the GEPF funds can alleviate it.

Synopsis

Treasury's stern warning: SA government cannot spend the country into prosperity

BizNews
15 September 2023
By Zakhele Mthembu*

The National Treasury has sent a warning to the broader government. The message is clear: drastically cut spending or suffer the consequences. An expected message, for one can only spend so much of other people's money, like the government does, before it runs out.

The Minister of Finance has indicated that cuts to government spending will be a necessity in the mid-term budget. The head of the Treasury's budget office also stated that the country cannot spend its way to prosperity, as increased government spending has not translated into economic growth.

The Treasury has been warning the broader government about the unsustainability of its spending efforts. When Mr Godongwana presented the budget in February 2023, he cautioned against what was then the possible threat of an unbudgeted wage settlement.

A month later, a majority of unions in the Public Sector Co-ordinated Bargaining Council reached an agreement with government for a 7,5% increase. This wage increase meant that the Treasury had to adjust its initial budget by R37,4bn. It was as though the unions and their members were divorced from the reality of the South African economy and the finances of the state.

In a statement Treasury released after the agreement was concluded, it mentioned that cutting back on non-critical appointments in governments was going to be necessary. Also, redirecting funds for projects and programmes in various departments towards wages and restricting recruitment in other areas that were planned for, were among the multiple solutions Treasury proposed.

The necessity to redirect funds, instead of increasing the budget, has come to bear as we approach the mid-term budget statement in October. The budget shortfall has been exacerbated by the non-actualisation of the projections Treasury had for economic growth and revenue collection. These projections that are or will not be met were ambitious, considering the policy impediments in the South African economy; things like a monopolised and failing energy market, or a labour legal regime that discourages hiring.

South Africa is in a precarious position because, even though there is a high government wage bill, it is not due to mass employment in the public sector. Instead, research from various sources and ideological inclinations has shown that while public compensation has increased as a line item for the state, the head count for the state in terms of employees has dropped.

The South African public has been paying more money for less public service personnel. This will only be exacerbated given the interventions Treasury will be implementing to meet the shortfall caused by the wage agreement, among many causes. Things like limiting recruitment for new positions and shedding jobs in some areas are among the solutions Treasury is suggesting to departments.

As the head of the Treasury Budget Office said in an interview about cutting spending, we are not "going to spend our way out of our current problems". Government employees will now have to contend with the fact that their wage increase is one of the reasons their colleagues will lose their jobs. This in a context in which the average government employee is paid way more than the average privately employed individual who in fact adds productively to the economy.

The South African economy finds itself at a crossroads. It can choose the right path. The route of government spending fuelling economic growth has been tried, and it has failed, according to Treasury itself. Therefore, the path of deregulation in as many markets as possible, cutting government spending, reducing taxes for individuals, and ensuring that there is an environment wherein property rights are protected, should be tried.

Everyone and everything should live by the principle of spending within your means. Especially the state, since it acts as representative of everyone within its jurisdiction and it cannot generate income outside of its citizens giving over to it the income they generated in the market, in the form of taxes.

Despite the President disagreeing with the need to cut spending, the communication coming from Treasury is good. The ingredients of a low growth economy, absurdly high youth unemployment levels, and growing spending obligations from the state can only produce a social disaster. For sustainable growth and prosperity, the state must cut its spending, lest we continue down our road to serfdom.

Comment

Eventually the staunchest liberalists and socialists run out of other people's money to spend. As always, our Fund remains a tempting quick-win-long-term-disaster to ameliorate the dire economic and financial straits we are facing. It seems quiet but undoubtedly the attractiveness of our Fund's funds is still lying clearly in the collective thoughts of those involved in 'government' finances.

The bottom line is that the 'government' budget will go to increasing salaries by decreasing service delivery, the money has to come from somewhere.

Synopsis

Warning over South Africa's new state-owned company

Businesstech
By Luke Fraser
18 September 2023

South Africa is set to get a new state-owned company, but there are concerns that it could just end up becoming another government failure.

The Department of Public Enterprises has published the new Draft National State Enterprises Draft Bill 2023 for public comment, which intends to create a new state-owned holding company.

The department will no longer exist following the 2024 elections, with a new state-owned holding company, the State Asset Management SOC Ltd, instead managing the finances of the nation's various SOE.

The Bill aims ia the following:

- To establish the State Asset Management SOC Ltd;
- To consolidate the state's shareholdings in state enterprises;
- To provide for the phased succession of state enterprises to the holding company;
- To provide for the holding company's powers as shareholder of subsidiaries;
- To provide for the restructuring and management of subsidiaries for developmental purposes;
- To provide for appropriate and effective performance monitoring mechanisms over subsidiaries;
- To provide for the corporatisation of those state enterprises that are not registered as companies;

Potential problems

Business Leadership South Africa CEO Busisiwe Mavuso said that SOE seriously impact the business environment and the government's finances and are thus crucial for the nation's future growth. She said that a new company that is fully empowered to turn around the government's flailing SOE and bring in private shareholders would be welcomed.

She added that this allows the government to concern itself with policy and regulatory issues while proper commercial principles are applied to the running of SOE.

"To achieve that, the holding company would need a level of independence, able to make operating decisions that ensure the financial performance of the SOE. It should have budgetary autonomy, and its legislation should give it full authority over the operating and financial affairs of the SOE," she said.

"It needs a board of accomplished, experienced professionals with extensive corporate expertise and not political cronies. In turn, it must have authority over the boards it appoints to manage the SOEs, and to monitor performance and ensure delivery."

She added that it should also report to government departments and be held accountable in parliament. Furthermore, like elsewhere in the world, South Africa's SOE should also be seen as crucial sources of revenue that deliver dividends.

Although Telkom has historically been a regular payer of dividends, other companies, particularly Eskom and Transnet, have taken billions in bailouts while providing no dividend payouts.

Mavuso said that it is positive that the new draft legislation allows the holding company to have oversight over SOE and that it provides for the corporatisation of state enterprises that are not yet legally companies in line with the Companies Act. She added that the success of the holding company will heavily depend on the board and executive management appointed. In addition, the legislation places the president as the sole representative of the company instead of the Minister of Finance, who would see the financial sustainability of the new holding company as a chief concern.

"All business can take from the legislation as tabled is that the new company might be good, depending entirely on how it is implemented. Indeed, the worst fear is that it becomes yet another expensive white elephant that adds no value," she said.

The National State Enterprises Draft Bill 2023: public comments must be submitted by 15 October 2023.

Comment

It sounds good but doesn't change the parlous state of SOE at all. The DPE to cease to exist in 2024? Who are we fooling? It will undergo a name change and become the SEM! It needs political will to implement change in the SOE for it to work.

I doubt if there will be any change in the ROI of the SOE we are invested in after this change. Eskom, Landbank, IDC, Transnet, Road Agency, Toll Roads to mention a few.

THE GEPF WATCHDOG / WAGHOND FACEBOOK PAGE

Welcome to our page!!

The GEPF Watchdog/Waghond Facebook page is the social media platform of the non-profit organisation "The Association for the Monitoring and Advocacy of Government Pensions" (AMAGP). The AMAGP has only one agenda point – safeguarding the GEPF against looting and mismanagement.

We are the owners of the GEPF, and we have the right to expect the GEPF Board of Trustees, and the PIC, to manage and invest OUR money in a responsible and profitable way. To the advantages of members and pensioners!

Most of our GEPF members are content with the fact that pensioners still get their monthly pension and perhaps a non-inflation related increase sometimes. They are convinced by GEPF newsletters and ambitious GEPF Annual Reports that our Pension Fund is in a superb condition. The AMAGP newsletters, annua reports and press releases tell a different story.

Our Facebook and AMAGP are together more than 59 000 members and continually growing, but this isn't enough. The continued growth confirms the ever increasing concern pension fund members and pensioners have about the future of their pensions.

As a member of the GEPF (working or retired), this Facebook page will keep you updated about any developments affecting the health of YOUR Pension Fund. It also provides you with the opportunity to participate in the debate and raise issues of concern.

Please read the articles that are posted on the wall, BUT also “re” and “Files”. You can get further information on our website – there is no reason to be in the dark regarding our/your Pension Fund, and what you must do as a member.

This page will only have any value for you if you join the AMAGP. Note there are no membership fees. You don’t have to do any work for the AMAGP if you do not wish to do so – BUT your membership will add one more voice to AMAGP convince the government our pensions remain ours, not theirs to misuse.

VRYWARING

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