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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NO. 1626

PAPSS financial legislation/regulations

Mr N H Pienaar (Limpopo: DA) to ask the Minister of Trade, Industry and Competition:

- (1) Whether the implementation of the Pan-African Payment and Settlement System (PAPSS) will necessitate amendments to existing financial legislation and regulations; if so, (a) which (i) laws and/or (ii) regulations are affected and (b) what are the further relevant details;
- (2) whether his department benchmarked the terms of South Africa's Afreximbank participation against comparable multilateral financial institutions such as the (a) New Development Bank and (b) African Development Bank; if so, (i) what are the key differences in (aa) voting power and (bb) risk-weighted return and (ii) what are the further relevant details;
- (3) whether his department (a) intends to publish an annual report on South Africa's participation in Afreximbank that is similar to the reports tabled on the World Bank and International Monetary Fund and (b) will seek Parliament's prior approval for any future (i) capital increase and/or (ii) callable-capital request by Afreximbank that South Africa is party to; if not, why not; if so, (aa) when will the report be tabled and (bb) what are the further relevant details;
- (4) whether his department has obtained confirmation from the (a) Department of International Relations and Cooperation and (b) Office of the State Law Adviser that any future amendments to the Afreximbank Establishment Agreement will

require parliamentary ratification in terms of section 231(2) of the Constitution; if not, why not; if so, what are the relevant details;

- (5) whether his department has considered introducing reciprocity provisions in South Africa's accession to Afreximbank to ensure that domestic suppliers and service providers receive procurement preference under Afreximbank-financed projects; if not, what is the rationale; if so, what are the relevant details? CW1852E

REPLY:

- (1) (a)(i)&(ii)

The South African Reserve Bank has the mandate and jurisdiction to lead the process to consider the country's participation in the Pan-African Payment and Settlement System (PAPSS). Accession to the Afreximbank does not automatically entail joining the PAPSS mechanism and the department will be guided by the Reserve Bank on this matter, with the institution also best placed as to the legislative and regulatory requirements in this regard.

- (2) (a) and (b)(i)(aa)&(ii)(bb)

While the business case for South Africa acceding to the Afreximbank did not specifically compare the voting power and risk-weighted returns with the New Development Bank (NDB) and the African Development Bank (AfDB), the analysis did consider that South Africa was already a shareholder of the Bank through Class B shareholding. The analysis revealed that acceding to the Afreximbank and converting the existing shareholding to Class A shares, did not entail additional costs to the fiscus, did not require a commitment to acquire additional shares or annual subscriptions, while the obligations (capital calls) remained the same as was the case with the existing Class B shareholding.

Acceding to the Bank actually enables South Africa to unlock the full suite of the Bank's trade and investment instruments, financing facilities, and strategic partnership offerings in support of national and continental development priorities. It will also allow through Class A shareholding and special voting rights a greater say over the strategic direction and resource allocation of this vital continental financial institution. While it might be comparable to multilateral finance institutions

such as the NDB and AfDB where South Africa has shareholding, the Afreximbank has an additional and particular focus on the facilitation, promotion and expansion of intra- and extra-African trade. The bank's vision is to be the leading trade finance bank for Africa, and its mission is to stimulate a consistent expansion, diversification and development of African trade.

(3) (a)(aa)&(bb)

The department will consider as part of the department's annual reporting to Parliament to provide reports on South Africa's participation in the Afreximbank.

(b)(i)&(ii)

In light of South Africa's shareholding in the Afreximbank being held by a public entity, in terms of section 54(2) of the PFMA, before a public entity concludes any significant transactions, including acquisition or disposal of a significant shareholding in a company, capital increases and/or callable-capital requests; the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction.

(4) (a)&(b)

Any future amendments will require parliamentary ratification in terms of Section 231(2) of the Constitution.

(5) While the department cannot legally compel the Afreximbank as part of accession to ensure that domestic suppliers and service providers receive procurement preferences under the Afreximbank-financed projects, the department, entities and project coordinators can include these when developing projects and submitting it to the Bank for funding. It is also important to note that the bank itself advocates for and uses financial instruments and trade information platforms to encourage the development of local capacity and supply chains across Africa as a key strategy for economic development and implementing the African Continental Free Trade Area (AfCFTA).

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