WEDNESDAY, 24 OCTOBER 2018

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PROCEEDINGS OF THE NATIONAL ASSEMBLY

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The House met at 14:03.

The Speaker took the Chair and requested members to observe a moment of silence for prayer or meditation.

MEDIUM-TERM BUDGET POLICY STATEMENT

INTRODUCTION - ADJUSTMENTS APPROPRIATION BILL

INTRODUCTION - SPECIAL APPROPRIATION BILL

INTRODUCTION - RATES AND MONETARY AMOUNTS AND AMENDMENT OF REVENUE LAWS BILL

INTRODUCTION - TAXATION LAWS AMENDMENT BILL

The SPEAKER: Order! I now recognise the hon - the brand new - Minister of Finance. [Applause.]

The MINISTER OF FINANCE: Madam Speaker, President of the Republic of South Africa, Deputy President *in absentia*, Cabinet colleagues, Deputy Ministers, Governor the SA Reserve Bank, leaders of all political parties, MECs for Finance, representatives of organised business and labour, civil society and faith-based leaders, hon members, Director-General of the National Treasury and of other departments, Acting Commissioner of the SA Revenue Service, fellow South Africans, it is my singular honour and privilege to table the 22nd Medium-Term Budget Policy Statement for consideration by the House and by all South Africans.

Today I also table, firstly, the Division of Revenue Amendment Bill; secondly, the Adjustments Appropriation Bill; thirdly, the Special Appropriation Bill; fourthly, the Rates and Monetary Amounts and Amendment of Revenue Laws Bill; fifthly, the Taxation Laws Amendment Bill; sixthly, the Tax Administration Laws Amendment Bill; and, finally, the 2018 Adjusted Estimates of National Expenditure.

In *A Tale of Two Cities*, Charles Dickens says, and I quote: "It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity ... we were all going direct to Heaven, we were all going direct the other way ...”

I think that is nice to recapture: We were all going to heaven, and yet we were going the other way, which means to hell. [Laughter.]

So too is the present time. As a country, we stand at a crossroads. We can choose a path of hope, or a path of despair. We can go directly to heaven, or as Dickens so politely puts it, we can go the other way.

For ordinary South Africans, it has become a difficult time. Administered prices, such as electricity and fuel, have risen. Unemployment is unacceptably high. Poor services and corruption have hit the poor the hardest.

Fortunately, under the leadership of our brand new President, and much like the central character in *A Tale of Two Cities*, we have, as a country, chosen the difficult path of redemption.

The Medium-Term Budget Policy Statement is a central part of our planning as a country. It is designed to outline how we spend scarce resources for the benefit of all South Africans.

This policy statement provides us with an opportunity to take stock of the strides we have taken in the year. We do this in a data-driven way, providing credible evidence to judge our collective performance as a society.

However, it is more than just a set of numbers, or reams of data, charts, graphs or words. Our performance should be measured by whether people are gainfully employed, whether our children are learning in decent schools, and whether we have health care facilities that are up to standard.

The statement is an opportunity to restore trust between government and the people. South Africans correctly expect more from their government. They are right to expect that their money is spent wisely and productively, and goes to meeting their basic needs.

The 2018 Policy Statement is built on a strong conviction that South Africa can be renewed indeed. It reinforces our commitment to the National Development Plan, the NDP. It articulates the President's vision of "Thuma mina"; "Rhuma mina." [Send me.] [Applause.] Together, as a country, we can indeed rebuild and recast our future.

We are at a crossroads. The statement highlights the difficult economic and fiscal choices confronting us over the medium term. We must choose a path that takes us to faster and more inclusive economic growth and that strengthens private and public sector investment. We must choose a path that stabilises and reduces the national debt. We cannot continue to borrow at this rate. We must choose to reduce the structural deficit, for we cannot continue to have a wide difference between our revenue and expenditure.

We must choose to reduce the structural deficit, especially the consistently high growth in the real public sector wage bill. I think that's why there was a "gogga" [bug] in my throat. [Laughter.] New fiscal anchors may be required to ensure sustainability, in addition to the expenditure ceiling. We must choose public sector investment over consumption.

Reconfiguring our state-owned companies requires us to take a hard look at how they operate. Let me repeat this: Reconfiguring our state-owned companies requires us to take a hard look at how they operate. Our current challenges with state-owned companies present us with an opportunity to demolish the walls that exist between the private and public sectors ... to demolish the walls that exist between the private and public sectors.

Along with other key economic institutions, we will urgently fix the SA Revenue Service. It is a matter of public record that the capacity of Sars has been weakened. It is in this context that the Sars leadership must and has to be strengthened. We cannot expect to continue functioning effectively if the tax collection authority is broken. [Applause.] The organisation has many talented and committed employees who want Sars to succeed and who are working tirelessly to rebuild trust.

Madam Speaker, I present this policy statement against the backdrop of a technical recession in South Africa. The economic expectations at the time of the Budget in February 2018 have not materialised. Since then, the risks to the global economic growth outlook have become more pronounced.

Rising interest rates in the United States of America and a stronger dollar reflect a strong US economy. The Minister of International Relations and Co-operation is here. I mustn't say what I wanted to say about that, except to say that despite the occasional trade barriers that are being introduced by some president ... [Interjections.]

In the medium term, strong US growth will support export growth. But monetary policy normalisation has created turmoil in financial markets. Countries with large twin deficits and high levels of external debt, such as Turkey and Argentina, have experienced sharp currency depreciation, rising credit spreads and large capital outflows. In some cases, inappropriate policy responses have made the situation worse.

Developing countries are now expected to grow by some 4,7% in 2018 and 2019. For 2018, South Africa's growth forecast has been revised down from 1,5% to 0,7%. Growth is expected to recover gradually to over 2% in 2021 as confidence returns and investment gathers pace.

That said, any forecast is based on a set of current assumptions. In the documentation tabled today, we outline different scenarios including macroeconomic and fiscal risks.

The National Development Plan, or NDP, outlines our long-term vision. A core element of this vision is a commitment to strong, sustained and inclusive growth rates to sharply reduce unemployment, poverty and inequality.

During the first decade of our democracy, economic growth was closely linked with that of the rest of the world.

Over the past decade, however, our growth has been significantly slower than that of our peers.

With the right initiatives, we can once again recouple our growth performance with that of the global economy. Our growth agenda must raise potential output from where it is by boosting productivity, increasing competition and reducing the cost of doing business.

As a start, the President has announced five measures to stimulate the economy. They are, one, implementation of growth-enhancing economic reforms; two, reprioritisation of public spending to support growth and job-creation; three, enhancing infrastructure investment and establishing an Infrastructure Fund; four, addressing urgent and pressing matters in education and health; and, five, investing in municipal infrastructure improvement, which is very key.

Allow me to take some time to expand on the various elements of the President's plan, provided my colleagues on the left will remember that this is my maiden speech. [Interjections.] [Laughter.] [Applause.]

The first element of the President's plan is to implement growth-enhancing economic reforms. Rebuilding confidence will unlock private sector investment. Investors are in it for the long run. They want to know that our policies are clear and consistent. We must stop, Mr President, talking in contradictory terms. [Applause.]

The President has already taken the lead in rebuilding confidence by appointing a team of investment envoys. We look forward to the upcoming Investment Conference. Already, in the mining sector, we have finalised the Mining Charter and we are withdrawing the Mineral and Petroleum Resources Development Amendment Bill. [Applause.] Where is the Minister of ... [Interjections.] Oh! Thank you, Minister. Thank you for that.

Visa requirements will be eased to boost tourism. We will make it easier for people with skills to work in South Africa. Ten-year multiple-entry visas will be extended to several countries. [Applause.] Thank you for that. In telecommunications, the proposed policy for the licensing of high-demand spectrum has been gazetted. Frequencies to enable high-speed Internet will be auctioned early next year. Steps will be taken to reduce data costs and improve data quality. [Applause.]

Recently concluded power-purchase agreements will create an estimated 61 000 jobs and enable investment of R56 billion. Through the renewable energy Independent Power Producers, IPPs, we have secured equity for local communities, who will receive about R29,3 billion in net dividend income over the life of the projects. For recently signed projects, 53% is owned by South African shareholders, while black shareholders own 34% of the equity.

Restructuring of the electricity sector is under way. This must include a long-term plan to restructure Eskom and deal with its debt obligations. A review of the current Electricity Pricing Policy will form a part of this process.

We are building partnerships to find solutions to the development challenges faced by South Africa and the region. Here we would like to emphasise the need for partnerships.

The recent Jobs Summit brought together business, labour, community, government and other leaders in our society to leverage our collective strength towards the urgent need to protect and create jobs. South Africa offers a strong investment value proposition. We have a highly diversified, open economy with an abundance of natural resources, an extensive and modern infrastructure network and sophisticated and deep financial markets. The upcoming investor conference will showcase these strengths to local and international investors.

We are upgrading the economic planning and co-ordinating capacity of the state. "Southern Africa – Towards Inclusive Economic Development or SA-TIED" is a programme with other government departments and international agencies to produce high-quality, evidence-based policy research. We have already published 24 research papers in 2018. The programme will train young scholars and give government officials the opportunity to obtain their PhDs in economics and related fields. [Applause.] Our ultimate aim is to improve the interface between cutting-edge research and policy formulation – to avoid situations where, sometimes, policy is made on the hoof.

The second element of the President's plan is about reprioritisation and more effective spending. Spending is projected to be R5,9 trillion over the medium term. Spending will still grow faster than inflation. This is a lot of money. We can do more with it. We can do better with it.

We are proposing a combination of reprioritisation, changes to grant structures and in-year allocations amounting to more than R50 billion. Of this amount, reprioritisation of R15,9 billion goes towards infrastructure programmes, supporting industrialisation, and the Expanded Public Works Programme. An additional R16,5 billion of reprioritisation will be allocated to various programmes, including funding to restore capacity at the SA Revenue Service.

Agriculture will be an important driver of our economic recovery. The Land Bank will continue to support emerging farmers. Our reprioritisation efforts will support the bank to conclude transactions worth R16,2 billion over the next three to five years, which will help create jobs in agriculture. A significant portion of the funding will go towards export-oriented crops that are highly labour intensive. I said to the staff, “For example?”, and they said avocadoes. [Laughter.]

Housing subsidies amounting to R1 billion will be centralised to help low- to middle-income households access affordable home loans ... [Applause.] ... which will result in more South Africans acquiring their own homes.

We are determined to support greater economic development within townships and the countryside, Minister Zulu. Our spending on infrastructure aims to promote industrialisation across the country.

We are spending R668 million over the medium term to revitalise government-owned industrial parks in township areas. [Applause.] So far, government has upgraded infrastructure at Vulindlela and Komani, both in the Eastern Cape, Botshabelo in the Free State, Seshego in Limpopo, and Isithebe in KwaZulu-Natal. [Applause.] In economic literature this is what is referred to as inward industrialisation – just for referencing.

Since 2011, municipalities have completed over 270 projects to the value of R3,7 billion funded through the neighbourhood development partnership grant. This has attracted over R8,7 billion of private investment in townships. In Tembisa, for example, which is in Ekurhuleni, public investment to the value of R125 million in roads and transport infrastructure has enabled access to social and economic facilities. The investment will attract an estimated R3,5 billion of additional public and private investment in commercial, retail and residential developments. In the Msunduzi Municipality over R77 million in public investment in the Edendale Urban Hub has already attracted private and public sector investment in excess of R1 billion. We will continue to roll these out in other parts of the country.

The Giyani Water Project is plagued by malfeasance. It is a cesspool of corruption. [Applause.] The challenges range from a complete disregard for supply chain rules to poor contract management, resulting in irregular expenditure. It is clear that a new delivery and financing model is required to provide water services to our communities. A key element of the new approach will be a stronger focus on project management and contract governance to ensure that projects, such as the Giyani Water Project, are fit for purpose and maximise value for money in the water sector. [Applause.]

I have requested the Director-General of the National Treasury to work with the Department of Water and Sanitation to ensure that appropriate action is taken against all guilty officials implicated in the Auditor-General's report. [Applause.] The President has informed me that he will be visiting the Giyani area to see for himself what has happened and what needs to be done.

We are dealing decisively and urgently with the water crisis in the Vaal River System. Our immediate focus is to mobilise short-term financing by reprioritising funds and increasing capacity. I have asked the Commander in Chief of the SA National Defence Force: the President, and the Minister of Defence and Military Veterans for the military to assist us immediately with engineering works and other expertise to resolve the crisis in the Vaal River System. [Applause.] I am happy to report that both the President and the Minister have agreed, and I have already spoken to the officer commanding the Reserve Forces who has taken the matter to the central command ... high command. They have agreed. So, you see soldiers there ... quickly. There is no point continuing to complain about issues that we can resolve immediately. So that is what we are doing. [Applause.] The generals in charge have already started working on the solutions.

Water is critical. Current water delivery models are clearly not working in many areas of our country and we need to consider new ideas and models.

Given the land transport intensity of our economy, it is vital that our road network supports growth and development. Over the medium term, funds are reprioritised to enable the strengthening and rehabilitation of the national non-toll road networks, of which about 75% are beyond their design life. But if we want our road transport infrastructure to work, we need to pay for our tolls. [Interjections.] Government remains committed ... [Interjections.] So, hon members, if we want the road network to work, we must therefore pay our tolls. [Interjections.] Government remains committed ...

[Interjections.] ... to the user-pay principle, because it is the most efficient and effective way to ensure that the direct benefits of services are paid for by those who use them directly. [Interjections.] We need to restore a culture of payment in this country to ensure the sustainability of our services ...

The SPEAKER: Order, hon members!

The MINISTER OF FINANCE: ... and to give confidence to those institutions who invest in our bonds.

The third element of the President's plan is to improve the government's approach to infrastructure investment and to establish an Infrastructure Fund. Over the next three years, public infrastructure expenditure is estimated to be R855,2 billion, of which state-owned companies alone account for R370,2 billion. General government accounts for the remaining R485 billion, mainly in the form of conditional grants.

One of our problems is that too many projects are poorly prepared. Too often, government spends money on infrastructure when it could be better and more effectively done by the private sector. The Development Bank of Southern Africa, the Government Technical Advisory Centre and the Presidential Infrastructure Co-ordinating Commission will receive R625 million to strengthen project preparation. Minister Patel – he is supposed to clap ... [Inaudible.] [Applause.]

Development finance institutions, multilateral development banks and private banks have committed technical resources to help finance, plan and implement projects. We will develop innovative finance solutions that combine capital from the public and private sectors.

Government will establish an execution unit made up of engineers, quantity surveyors, architects and other professionals to ensure that the challenges we face in various schemes are resolved speedily. The execution unit will also advise government on new delivery and financing models to provide basic services to communities. More often than not, it is a very simple thing, actually, but sometimes we take longer to deal with simple things.

Government will also develop a framework to help investors assess potential long-term returns on public infrastructure projects. We want to enable investment in public infrastructure by commercial banks, development finance institutions and pension funds. This will require both innovative financing mechanisms and accompanying regulatory reforms.

We have successfully partnered, for example, with the private sector in the past. The N3 highway between Johannesburg and Durban and the N1/N4 platinum highway were built and are operated and maintained by the private sector. For these projects to operate efficiently, we have service level agreements, which make them accountable to the government. These kinds of partnerships should be accelerated in the future.

The fourth element of the President's plan is to address urgent and pressing matters in education and health.

The largest allocations in the medium term are for education, health, social development and community development. Together, these four areas will receive more than 60% of non-interest expenditure.

Nobody should learn in a school that is unsafe, Madam Minister of Basic Education. [Applause.] Our children must have access to adequate sanitation. [Applause.] We have committed to eradicating pit latrines at all schools. [Applause.] The President has directed that there is a plan to ensure that all schools have safe and appropriate sanitation.

We will ensure that female learners in schools have access to sanitary pads. [Applause.] Several provinces have already taken the lead in rolling out the provision of free sanitary pads in schools. Funds will be added to the provincial equitable share to enable provinces to progressively further this initiative. [Applause.]

Access to health care services is enshrined in our Constitution and in our Bill of Rights. We will continue to work very closely with the national Department of Health and other role-players to ensure that the gradual phased implementation of the National Health Insurance system is adequately financed.

We are immediately reprioritising R350 million to recruit in excess of 2 000 health professionals into public health facilities. [Applause.] We are further reprioritising R150 million to purchase beds and linen for hospitals where the need is most dire. [Applause.] These two interventions build on the Presidential Health Summit convened last weekend, which has brought about new focus to improving the quality of our health system.

The final element of the President's plan to stimulate the economy focuses on investing in municipal social infrastructure. All South Africans share the pain of poorly performing municipalities: potholes here and there, broken street lights, roads that flood when it rains, and challenges with electricity.

We are acutely aware that some municipalities are facing serious capacity constraints in executing their plans and programmes. The Auditor-General has consistently shared audit messages that emphasise the importance of accountability in the management of municipal affairs. This year, 113 municipalities adopted unfunded budgets, up from 83 in the previous year. Municipalities owe more than R23 billion to service providers – mainly to Eskom and water service agencies.

In many cases, like in the Modimolle-Mookgophong Local Municipality, the financial challenges faced by municipalities are a reflection of weakness in governance, or even of fraud and outright corruption. The funds lost by municipalities in the collapse of VBS Mutual Bank offer a dramatic illustration of how greed and corruption impact negatively on the achievement of our developmental objectives. On VBS, although you debated this matter extensively yesterday, it is important to raise a few issues. Firstly, the poor depositors in VBS have not lost any money. The poor depositors in VBS have not lost any money. [Applause.] The poor depositors have been paid through the arrangement made by the governor, or rather, by the regulator and another bank. Secondly, the biggest losers, of course, have been the shareholders and the municipalities that deposited into VBS.

Thirdly, it is important that as we deal with the VBS matter, we do not throw the baby out with the bath water. The model of VBS before the great heist was correct, ie reach out to the poorer communities, provide banking and financial services to them as part of the struggle to transform the banking and financial services sector. [Applause.] To that extent, we will work together with the regulator to ensure that that model doesn't disappear from the South African sector. However, the perpetrators of the great bank heist must be locked up after a fair trial. [Applause.]

As I said, this matter was ventilated in the House yesterday, and therefore there is no need to repeat it. [Interjections.] So ... yes, those who benefited illegally. [Interjections.] Now, just as you recover your breath, Advocate Motau who did the investigation says that there was a heist in Krugersdorp where criminals did a lot of hard work – dug a tunnel to the bank. Hard work. They eventually reached the bank and got out with R400 000, disappeared and were never arrested. A huge amount of effort for nothing; well, so you might think. Actually, the criminals were not after the R400 000. They knew that in that bank was kept safety boxes and that illegal rich people had kept their valuables in those safety boxes – diamonds, jewellery ... That's what they wanted. They knew that the depositors would not do anything about it because they had not declared those goods. [Laughter.] So, Madam Speaker, we have many such cases of theft and poor projects in our country, and these corrupt practices have indeed to be removed from our system.

For those of you who have some knowledge of the Bible, you will recall the words of Isaiah in chapter 58, verse 12, and I quote: "Your people will rebuild the ancient ruins and will raise up the age-old foundations; you will be called Repairer of Broken Walls, Restorer of Streets with Dwellings." [Interjections.] Amen. [Applause.]

We must repair our towns and our streets, and fix the water pipes under our roads. The National Treasury will work closely with the Department of Co-operative Governance and Traditional Affairs to deal with financial misconduct in all spheres of government. [Applause.] We are developing measures to improve transparency and governance processes. Key is the employment of qualified, competent and incorruptible officials. [Applause.] We need to restore a culture of compliance with the Public Finance Management Act and the Municipal Finance Management Act in all organs of the state. Civil society can help too. In some cases, such as in Emalahleni, citizen associations have successfully challenged local government to implement the measures prescribed by law to address financial problems.

The President’s plan is achievable, but any growth plan must be built on sound macroeconomic preconditions: a sustainable fiscal position, and low and stable inflation. I am confident that Governor Kganyago and his team will continue to work tirelessly to keep inflation down. And, please, hon members, let us not distract him with regular attacks on the mandate and independence of the SA Reserve Bank. [Applause.]

Today, I take advantage of giving my maiden speech to reiterate what is contained in section 224(2) of the Constitution of the Republic. It says: “The South African Reserve Bank, in pursuit of its primary object, must perform its functions independently and without fear, favour or prejudice, but there must be regular consultation between the Bank and the Cabinet member responsible for national financial matters." In this instance, those two are governor number 10 and governor number eight. [Laughter.] [Applause.] So, in this situation my job is to strengthen the fiscus, and his job is to keep inflation low and stable.

Government remains committed to its goal of stabilising and bringing down the debt-to-GDP ratio. In recent months, deteriorating economic performance, revenue shortfalls and a weaker rand have all contributed to higher debt projections.

The consolidated budget deficit is estimated at 4% in 2018-19, compared with the 2018 Budget projection of 3,6% of GDP. After rising to 4,2%, the deficit stabilises at 4% in the outer years. Gross debt is on pace to stabilise at 59,6% of GDP in 2023-24.

Other risks identified in the February 2018 Budget have materialised, including a public-service wage agreement significantly above inflation, and the continued decline in the financial conditions of some state-owned enterprises, leading to requests for budget support.

In recent budgets, we took important steps by reducing the expenditure ceiling and increasing taxes. Given the weakness of the economy, government is aiming to manage these pressures, while avoiding additional fiscal measures that could limit growth.

The 2018 public-service wage agreement exceeds budgeted baselines by about R30,2 billion. We have not allocated additional money for this. I just want to repeat that: The 2018 public-service wage agreement exceeds budgeted baselines by about R30,2 billion over the medium term. We have not allocated additional money for this.

National and provincial departments will be expected to absorb these costs within their compensation baselines.

The Department of Public Service and Administration will work with national and provincial departments to help them manage the implementation of the agreement, while protecting our key developmental priorities.

The wage bill remains the biggest cost pressure on the budget. Over time, wages have crowded out other goods and services and capital investment, particularly in health, education and defence. We have to be more responsive to the requests from the generals about the Defence budget. I am a retired honorary colonel, so I know what's happening there. In some cases, this has contributed to a build-up of unpaid invoices in provincial governments. Around 85% of the increase in the wage bill is due to higher wages, rather than headcount increases.

The national wage ceilings remain unchanged, despite the new wage agreement.

Revenue collections up to the end of September 2018 have grown by 10,7% compared to the same period last year. Latest estimates, however, suggest that the full-year tax collections will be R27,4 billion less than expected, of which R20 billion reflects increased VAT refunds, and

R7,4 billion reflects lower corporate tax and personal income tax.

Although some of the VAT refunds reflect “once-off” payments, we expect revenue shortfalls of R24,7 billion in the 2019-20 financial year and R33 billion in the 2020-21 financial year, relative to the 2018 Budget.

Madam Speaker, concerns have been expressed about the slow pace of VAT refunds. We recognise that this has hurt the cash flow of a number of companies, including small and medium enterprises. The Acting Sars Commissioner has committed to processing the outstanding VAT refunds as quickly as possible. We estimate total additional VAT refunds of R20 billion, made up of R11 billion to clear the backlog, and an upward revision of R9 billion for the current fiscal year. We are of the view that this will provide a much-needed stimulus, actually, to the real economy as people will have more money in their hands. So, this is not negative; it is actually positive. [Applause.]

As you know, an Independent Panel of Experts investigated options to mitigate the impact of the VAT increase on lower-income households. My thanks go to the panel for their excellent work. I would also like to thank the 30 000 individuals and NGOs who provided commentary on the panel’s recommendations.

Madame Speaker, I received 3 299 tweets in total recently when I requested people on Twitter to give me some advice. I am awaiting the one from the President. He promised that he owed me one on Monday. One of them is from Tintsi Ngwenya in Johannesburg, who said: “Sanitary pads should be tax free.” [Applause.]

After considerable debate and consultation, as of 1 April 2019, government will zero-rate the following items: The first is sanitary pads ... [Applause.] Floyd, I thought you would clap. [Laughter.] I want to see you clapping. Thank you. The second item is bread flour. [Applause.] The third item is cake flour. [Applause.] Now, I know you are clapping, so that’s very good.

But, here’s the thing: the revenue loss associated with zero-rating these items is estimated at R1,2 billion. So ... ya ... swa karhata, boet. [It’s tough, brother.] However, zero-rating these products targets low-income households and restores the dignity of our people. [Applause.] So that we are clear about this: there is zero-rating of the pads and free provision to poorer schools.

On carbon tax, we have listened carefully to the concerns of business and labour during the parliamentary hearings. The carbon budgeting system and the carbon tax will be aligned. This is done by imposing a higher tax rate as a penalty for emissions exceeding the carbon budget. The original date of implementation was 1 January 2019, but this will be postponed to 1 June 2019.

We can spend our money better, Madam Speaker. Too much money goes missing. We must restore good governance and fight corruption in all of its forms. [Applause.] Money that leaks out of the system is no longer available to support our efforts to reduce poverty and lighten the burden on the poor.

Madam Speaker, among the many tweets we received from the South African public was a plea to strengthen internal auditing capacity at our municipalities. It is necessary for us as a country to face up to the events of the recent past and learn from them.

We are taking the following steps to strengthen financial management. One, Treasury will work with the Office of the Auditor-General to reduce fruitless and wasteful, irregular and unauthorised expenditure. Law enforcement agencies will be requested to act swiftly without fear or favour against those implicated in wrongdoing.

Two, at local government level, we are deploying skilled professionals to boost revenue collection and attain our developmental objectives. Many of these professionals are retirees who have responded to the call by the President: Thuma Mina. Three, there will be financial recovery plans for nonperforming departments. This means, in short, that if you don’t spend, we will take the money.

Madam Speaker, our state-owned companies can spend our money better as well. Many of these state-owned companies need to be reconfigured. Let me just repeat that: Many of these state-owned companies need to be reconfigured. The emphasis is on “reconfigured”. [Interjections.]

In the past year, almost all of the regional and domestic routes operated by South African Airways were profitable. South African Airways will reduce, ultimately, or maybe stop operating some of the loss-making international routes. South African Airways procurement has unlocked annual cost savings of about R400 million. There’s a picture they are going to bring out of me sweating. [Laughter.] You’ll see. “Minister sweats over the budget.” [Laughter.] [Interjections.] Oh, you tweeted already. [Laughter.] It’s fine; it’s okay.

An HON MEMBER: Have some water.

The MINISTER OF FINANCE: Yes, yes. Cheers! [Laughter.] Despite these efforts, SAA is still loss-making and even more radical measures are then needed in this regard. [Interjections.] In the reconfiguration of state-owned enterprises there must be no holy cows!

To support a sustainable reconfiguration model of our airline portfolio, in 2018-19 government will provide additional funding for SAA and SA Express Airways. [Interjections.] [Applause.] Minister Gordhan and I are working closely to limit the fiscal cost of these measures. By the end of the year, the boards of these two companies will present plans to strengthen and align their operations. [Interjections.]

Government has been working with the Johannesburg ...

The SPEAKER: Order!

The MINISTER OF FINANCE: Government has been working with the Johannesburg Stock Exchange to strengthen debt-listing requirements for all issuers, including state-owned companies. These proposals aim to bring about increased transparency and improved governance of state-owned companies and complement other government measures.

Madam Speaker, as I conclude, allow me to thank the President for his guidance and leadership. My appreciation also goes to the Deputy President. I would like to thank the Minister of Defence – for the first time the Minister of Defence is thanked in a statement - for the assistance that we are receiving from the Defence Force. I would like to thank my Cabinet colleagues who have been more than patient with me as I have been working my way through this process, in particular the Ministers' Committee on the Budget. Thank you very much for your help.

I wish to thank provincial premiers, MECs, and municipal mayors, who share our fiscal and financial responsibilities. I would like to thank Deputy Minister Gungubele. He is a very interesting Deputy Minister to work with. [Laughter.] Very interesting. I would like to thank the Acting Commissioner of the SA Revenue Service, the 10th Governor of the SA Reserve Bank and the staff at the Reserve Bank ... [Applause.] ... and the Director-General of the National Treasury. He is also a very interesting fellow. [Laughter.]

I know that Members of the House will join me in expressing our appreciation to the whole staff of the National Treasury and of the SA Revenue Service, and the finance community. [Applause.] I am also grateful to the Finance and Appropriation committees which have the responsibility for steering the consideration of the Division of Revenue Amendment Bill, the Adjustments Appropriation Bill, the finance Bill, and the taxation Bills.

So, Madam Speaker, a budget statement, as I said, is not the Budget. The Budget is in February. This is a medium-term statement, and we are presenting this statement against a backdrop of South Africa finding itself at a crossroads with lower growth, and therefore lower revenue collections. That's why we need to make tough choices.

Secondly, our economic outlook has been revised downwards. Thirdly, against this background, together we have much to do. We must repair damaged government institutions, as their failure impacts on poorer households the most. There have been governance challenges at key state institutions – this we have to deal with.

State institutions are being repaired and renewed – that's the background. State-owned enterprises are being reconfigured, as we have said. The President has initiated a plan that will support our economic recovery.

Finally, we wish all of you success as we debate this Medium-Term Budget Policy Statement. Thank you so much. [Applause.]

The SPEAKER: Order! Hon members, we congratulate the brand new Minister on his maiden speech, and that concludes the business of the day and the House is adjourned.

The House adjourned at 15:07.