

WEDNESDAY, 30 OCTOBER 2019

PROCEEDINGS OF THE NATIONAL ASSEMBLY

The House met at 14:08.

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

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS - see col 000.

**MEDIUM-TERM BUDGET POLICY STATEMENT 2019 INCLUDING
REVISED FISCAL FRAMEWORK**

**INTRODUCTION - ADJUSTED ESTIMATES OF NATIONAL EXPENDITURE
2019**

INTRODUCTION - ADJUSTMENTS APPROPRIATION BILL

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

INTRODUCTION - TAXATION LAWS AMENDMENT BILL

DIVISION OF REVENUE AMENDMENT BILL**TAX ADMINISTRATION LAWS AMENDMENT BILL**

The MINISTER OF FINANCE: Deputy Speaker of the National Assembly, President of the Republic of South Africa, Cabinet colleagues, Deputy Ministers, members of executive councils here present, Governor and Deputy Governor of the SA Reserve Bank, leaders of all political parties in this democratic Parliament, representatives of organised business and labour, hon members, fellow South Africans, today it is my singular honour and privilege to table the 23rd Medium-Term Budget Policy Statement, MTBPS, of the democratic era. This is the first Budget Policy Statement of the sixth administration and Parliament.

THE PURPOSE OF THE MEDIUM-TERM BUDGET POLICY STATEMENT

The MTBPS is an important piece of the budgeting process. If I might remind members, the first statement was published on 2 December 1997, during the first democratic administration led by President uTata Nelson Mandela.

Today we publish the MTBPS containing:

1. a summary of government's fiscal goals and objectives;
2. projections for the economy and public finances;
3. long-term projections of the debt-to-GDP ratio assuming different scenarios – the baseline projection assumes we make minimal policy changes; and,
4. a fiscal risk statement.

The MTBPS does not include detailed spending plans or tax proposals. That is left to the annual Budget, which is normally introduced in February. If I may just pause here to emphasise that this is not the Budget. Many people at home are thinking that, today Minister Mboweni is presenting the Budget. That is not the case. So, let's temper the expectations. So, no requests for further monies or anything else.

The MTBPS that we table today coincides with another important government process – the tabling of the tax Bills. I am grateful to the standing and select committees on Appropriations and Finance which are responsible for steering the consideration of the tax Bills, giving effect to the revenue proposals as announced in the 2019 annual Budget in February, and obviously the related tax administration matters, as well

as the 2019 Division of Revenue Amendment Bill and the 2019 Adjustments Appropriation Bill.

As the 1997 Policy Statement said:

There is no point in publishing a Policy Statement if it simply means publishing the Budget three months early. The purpose is to open up the debate before the actual Budget is finalised.

I look forward to this debate. I will follow this debate in person, on the wireless, on TV, in the newspapers and other media. We had a lot of debate about the wireless. [Interjections.] I table this MTBPS for consideration by the House and all South Africans.

Today I also table:

- the Adjustments Appropriation Bill;
- the Rates and Monetary Amounts and Amendment of Revenue Laws Bill;
- the Taxation Laws Amendment Bill;
- the Division of Revenue Amendment Bill;
- the Tax Administration Laws Amendment Bill; and finally,
- the 2019 Adjusted Estimates of National Expenditure.

INTRODUCTION

Deputy Speaker, on Budget day 2019, I brought a resilient aloe ferox plant. [Interjections.] Mr President, on a cheeky note, let me say that you might remember that I also presented to you, Your Excellency, an aloe ferox plant, which I'm very confident is still alive and growing ... [Interjections.] ... because its health and growth signify an important element of the South African economy. This little aloe ferox is emerging from a long winter. During that winter the ground became hard, the leaves fell from the trees, and the air was bitterly cold. We toiled, hoping for better days. Our people became poorer. Some of them lost their jobs.

Mr Deputy Speaker, here we stand at the end of winter. The food cupboards are almost bare. We have been shuffling about in old and comfortable brown shoes. Our expenditure continues to exceed our revenue. Our national debt is increasing at an unsustainable pace. The economy is not performing that well.

In these difficult times, we have turned against one another, unfortunately. We have regrettably turned against our brothers and sisters from the rest of the continent. We should inculcate in the minds of our people that we are all Africans. Worst of all, we have turned

against our sisters, our daughters and our mothers. This is not who we are. We should give renewed impetus to the fight against gender-based violence and xenophobia.

[Applause.]

So, what should we do? Hope is good, but it is not a strategy. As any farmer will tell you, if you want a bumper harvest, you must be prepared to work hard during the end of winter and early spring because what you do to the soil then determines how successful your crop will be. Now is the time. We cannot wait any longer. If we want a successful harvest, we must act today.

Mr President, so that I don't disappoint, let me say, as the good book says ... [Interjections.]

An HON MEMBER: Which one?

The MINISTER OF FINANCE: ... in 2 Corinthians, chapter 9, verse 2, I think, if you want to reap sparingly you must sow sparingly. If you want to reap bountifully you must also sow bountifully. Amen. [Applause.] [Interjections.]
2 Corinthians, chapter 9, verse 6. As I said somewhere, we need to rock the boat. We need to shake the baobab tree. We need to do the unusual. We need to disrupt the comfort zones to get things moving.

THE GLOBAL ECONOMY

What is the state of the world? After a decade-long economic expansion, growth in advanced economies is expected to slow, in part due to trade tensions and the Brexit uncertainty. The International Monetary Fund, IMF, estimates that these tensions may take away 0,8 percentage points from global growth. Economic growth in both China and India is expected to slow to about 6,1% this year. Growth in both these countries accelerated after far-reaching structural reforms. The average person in China today is seven times richer than 25 years ago. The average person in India has become three and a half times richer over the same period. Meanwhile, the average South African is only 1,3 times better off.

Growth in emerging markets is lower, partly because of the global slowdown, but also due to domestic policy missteps, which we can avoid. Economic growth in Mexico is down sharply. Its own state-owned energy company, Petróleos Mexicanos, Pemex, will cost approximately US\$2,6 billion a year to fix. The Brazilian economy will most likely grow at 0,9% in 2019. There, the state-owned energy company, Petróleo Brasileiro SA, Petrobras, has its own big problems.

Closer to home, things are much better. The African continent has a young, growing, entrepreneurial population. Sub-Saharan Africa is expected to grow by 3,6% next year, the second-fastest growing region after Asia, excluding Japan.

Like Eliud Kipchoge, the Kenyan economy is racing ahead, but not at that speed. Growth in Kenya is expected to be 6% next year. In Ghana, after extremely difficult structural reforms, growth is expected to be 7,5% this year and 5,6% next year. Ethiopia is expected to grow by over 7% in this period. They clearly have new shoes. Why don't we?

THE SOUTH AFRICAN ECONOMY

In the first quarter of this year, the South African economy contracted by a revised 3,1% on a seasonally adjusted and annualised basis. As energy constraints lifted, growth rebounded to 3,1% in the second quarter. These two quarters cancelled each other out and this year growth has been flat. There are some signs that investment spending is strengthening.

In the second quarter, growth in gross fixed capital formation rebounded to 6,1%. Mining grew by 14,4%. In real terms, credit growth has been positive since late

2018. Private-sector credit extension rose 6,2% in September. Home loans grew 5% year-on-year, the fastest rate in some time. However, corporate credit extension has softened, which is an issue of concern.

In September, headline consumer price inflation was 4,1%. Lower inflation is good for everyone, particularly for the poor and the working class. In short, what we have here is a mixed picture with some positive signs.

It is our job to chart a course that is sober, strategic and inclusive. The economy is now forecast to grow at 0,5% in 2019 compared to 1,5% expected in February. Growth is projected to slowly rise to 1,7% in 2022, a situation which is not pleasing at all.

OUR PROPOSED MEASURES TO GROW THE ECONOMY

Fellow South Africans, the preamble to our Constitution commits us all to do the following: "Improve the quality of life of all citizens and free the potential of each person." The growth outlook is far too low to support this vision of the founders of our democratic society. We therefore need to accelerate economic performance.

Under the leadership of President Ramaphosa, the structural reform agenda contained in the National

Development Plan has been given a new life. We have made progress in the following:

1. the new Integrated Resources Plan has been gazetted;
2. the Infrastructure Fund is being rolled out;
3. the visa regime has been greatly simplified;
4. the unabridged birth certificate requirement for young tourists has been abolished ... [Applause.];
5. we have upgraded a number of industrial parks and 10 special economic zones have been approved; and,
6. Cabinet has directed the Independent Communications Authority of SA, Icasa, to accelerate the licensing of high-demand broadband spectrum, as we are falling behind schedule in the race for 5G.

Our paper entitled "Economic Transformation, Inclusive Growth and Competitiveness: Towards an Economic Strategy for South Africa", draws lessons from fast-growing, emerging and sub-Saharan African economies. The paper speaks for itself but, in brief, we argue that there are a number of important growth ingredients. First, an efficient and capable state; second, prudent fiscal and monetary policy; third, a competitive and flexible exchange rate; fourth, a trade regime which promotes open and beneficial trade, particularly with the rest of the African continent; fifth, a reimagined industrial

strategy; sixth, opening a network industries platform, that is transport, logistics and telecommunications, which means reorganising Eskom and other state-owned entities; seventh, lowering barriers to entry.

Yesterday, the President spoke at length to my colleagues and me about two difficulties that he has in life. One is that it took him three years to obtain a water licence on his property. Three years! And now it's taking him an endless amount of time just to flatten the ground outside his house for parking because permission from the City of Cape Town is difficult to obtain. [Interjections.]

Eighth, prioritising job-creating sectors such as agriculture and tourism; ninth, an overarching legal framework with an independent judiciary and strong property rights; and tenth, a well-functioning banking and financial sector. [Interjections.]

The country is engaged in a rigorous debate about these proposals. We received over 103 comments so far.

Proposals included ideas on, for example, the digital economy, streamlining applications for new ports, and opening up the railway network to force heavy freight off our roads to ease congestion and improve safety.

[Applause.]

Mr President, your comment at the first meeting of the President's Council of Economic Advisors was that implementation of these initiatives will improve confidence and restore credibility. To judge from the many supportive comments received, many South Africans agree with you, Mr President, as do local and international businesses, large and small. I coined a new phrase. It's called, large, small, medium and tiny. [Interjections.] [Laughter.] Tiny businesses.

Thank you to everyone who joined in the debate, who wrote letters, held conferences, wrote articles in various publications and issued press releases.

We can do some of the things urgently. Already, the new Integrated Resources Plan charts a greener course forward on energy. We can accelerate spectrum licensing and move towards 5G. We can make it easier to do business.

Mr President, a critical youth employment initiative has been driven by you. We have supported the Youth Employment Service, known as YES, through expanding the employment tax initiative. We look forward to the YES initiative board bringing forward new innovative ideas. Today, we publish version two of the document. It is a living document and, as such, it is not dogma but a guide

to action. That reminds me of my young political days.
Where appropriate, we will consider legislation.

REVENUE PERFORMANCE AND OUTLOOK

To meet our fiscal needs, growth is not enough. We also need a well-functioning and efficient revenue collection agency. The SA Revenue Service, Sars, is emerging from its own winter. Cabinet has approved the implementation of the findings of the Nugent Commission of Inquiry into Tax Administration and Governance, and I intend to table a Bill early next year in this regard.

The President has appointed Mr Edward Kieswetter as the new commissioner of Sars. Since he started work in May, he has already taken steps to reinvigorate and re-establish the large business centre unit and the litigation, integrity and compliance units. Leadership, staffing and procurement failures are also being addressed.

Achieving a more inclusive South Africa relies on honest taxpayers. Without your taxes, fellow South Africans, our country will not succeed. Thank you to all those who have honoured their obligations thus far. However, you have a few more hours to complete your tax returns, because we

must render unto Caesar what belongs to Caesar, or else Caesar has a tendency of breaking your bones. [Laughter.]

Fellow South Africans, you have told us that we must spend your hard-earned money better, and we could not agree more with you. We now expect to collect R1,37 trillion this year. This is R53 billion, or 4%, less than what we expected.

Looking forward, our revenue forecasts are prudent. We assume an elasticity of one, which means a one-to-one relationship between growth in taxes and economic growth, after adjusting for tax measures. We are assuming an elasticity of one, which means? A one-to-one relationship between growth in taxes and economic growth, after adjusting for tax measures. You can Google it in the meantime. [Interjections.]

THE FISCAL FRAMEWORK

The fiscal framework has weakened substantially since the February Budget, mainly due to weaker economic growth and lower revenues, as I tried to explain in the formula above.

The main changes to the in-year expenditure projections are:

- firstly, R26 billion in additional financial support to Eskom;
- secondly, R11 billion to several smaller state-owned companies, SOCs, in financial distress; and
- thirdly, R430 million approved through the budget facility for student housing infrastructure.

[Applause.]

These increases are partly offset by drawing on the contingency reserve, provisional allocations and declared unspent funds. That said, savings from the compensation measures announced in the Budget in February have not materialised as expected.

Thus, in total, noninterest spending rises by R23 billion this year, relative to the February estimates. If we exclude Eskom support, noninterest spending would have been R2,9 billion less than expected.

The consolidated budget deficit is now projected at 5,9% of GDP in the current year. I just need to explain this to people in the media who have seen a different picture. This is a consolidated number that you are seeing now. This year, the national debt exceeded R3 trillion. It exceeded R3 trillion. It is expected to

rise to R4,5 trillion in the next three years. Clearly, we need to do things differently. [Interjections.]

An HON MEMBER: Stop stealing!

The MINISTER OF FINANCE: As things stand, without any policy adjustments, debt will most likely exceed 70% of GDP by 2022-23. This is a serious position that we find ourselves in. [Interjections.] Our little aloe ferox is not doing very well, Mr President. It needs attention, like our public finances.

Hon members, there is no status quo option. Stabilisation involves difficult decisions that imply sacrifices by all of us. Slowing growth in the compensation bill and additional revenue measures will be needed. The consequence of not acting now would be grave for South Africa. Over time, the country would likely face mounting debt service costs and higher interest rates, and may enter a debt trap. The unemployment crisis would worsen, and government debt could balloon. This is an outcome we are all determined to avoid. Additional measures will be announced in the 2020 Budget.

Mr President, I say this deliberately because we need to understand that this MTBPS does not propose tax policy

changes. However, in February we will deal with the tax policy changes in order to allow us to balance our books much better.

DIVISION OF REVENUE AND MEDIUM-TERM SPENDING PLANS

Over the medium term, consolidated government spending totals R6,3 trillion as things stand, *ceteris paribus*. Our priorities are education, social development and health. These receive R3 trillion over the next three years. Approximately half of noninterest spending goes to national government and the other half to provinces and municipalities.

We have achieved many social gains over the past 25 years. Our social spending programmes can be sustained over the long term provided we make reasonable and prudent choices.

On our current trajectory, by the end of the three-year framework, debt service costs will be bigger than spending on health and economic development.

ACHIEVING FISCAL SUSTAINABILITY

Our problem is that we spend more than we earn. It is as simple as that. How will we fix it? We are a leadership. We are not a complaining society. [Interjections.] To

stabilise debt, government will target a primary balance by 2022-23. A primary balance means that ...

[Interjections.] ... you must ... your revenue and your expenditure ... that must give you a number of zero per cent.

The LEADER OF THE OPPOSITION: Tell them, not me.

The MINISTER OF FINANCE: No, I'm helping you because I can see you're struggling. [Laughter.] [Applause.]

The target measure excludes support to Eskom because that is part of a separate process.

As a first step, we have identified spending reductions of R21 billion in 2020-21 and R29 billion in 2021-22, mostly and unfortunately in the area of goods and services, and transfers. In addition, noninterest spending in the outer years of the framework is constrained in line with consumer price inflation. That said, if we want to achieve our target, we will need to find additional measures in excess of R150 billion over the next three years or about R50 billion a year.

How would we do this? We will need to deal with the challenges of the wage bill, SOCs, executive remuneration and benefits, and fiscal leakages.

In the review accompanying this statement, we set out a detailed analysis of spending on public sector wages. It shows – this is an interesting figure, actually – that 29 000 public servants, plus members of the national executive, Members of Parliament, members of provincial executives, and so forth, each earned more than R1 million last year. So, they've become millionaires! [Interjections.] This is more than double the number of civil servants earning more than R1 million in 2006-07. So, when members of the DA shout up and down, you must know that it is because they are concerned about their status. [Interjections.]

The average wage increase across government was 6,8% in 2018-19, or 2,2% above inflation. After adjusting for inflation, the average government wage has risen by 66% in the last 10 years. We look forward to robust discussions in the relevant bargaining structures and with other stakeholders to achieve a sustainable solution. We are all in this together. [Interjections.]

In the same breath, we would like to send a message to SOCs, public entities, the private sector, boards of directors and executive management, about compensation and benefits which must be managed downwards.

The President has issued a directive which will apply to members of Cabinet and members of provincial executives, as follows. Firstly, for the foreseeable future, Cabinet, premiers and MECs' salaries will be frozen at current levels, with the likelihood of further negotiations.

[Interjections.] Secondly, the cost ... [Applause.] ... of official cars ... [Interjections.] ... at national, provincial and local levels will be capped at R800 000, VAT inclusive. [Interjections.] Thirdly, a new cellphone dispensation will cap the amount claimable from the state. Fourthly, all domestic travel will be in economy class. [Applause.] Fifthly, the Minister of Finance will make a determination on the appropriate use of subsistence and travel for all arms of the state. I encourage – listen carefully, Mr Deputy Speaker, listen carefully – the leadership of Parliament to think about applying the same rules. [Applause.]

In the 2019 Budget, some measures were announced. These included the following: firstly, a programme to ease the wage bill; secondly, the national macro reorganisation of

government; and thirdly, reducing performance bonuses and freezing salaries for members of the executive and parliamentarians, amongst others. Unfortunately, these have not been fully realised as savings. The early retirement programme has only yielded about 4 000 volunteers so far. We will need to reinvigorate this process.

FIXING THE FINANCES OF STATE-OWNED COMPANIES

We must also wean SOCs off the national budget. They must learn to stand on their own feet. [Applause.]

ESKOM

Government has announced a comprehensive set of structural reforms for Eskom, as announced by my colleague, Minister Gordhan, and also reforms in the energy sector, which we are supporting with R230 billion over the next 10 years. Very difficult budget adjustments have been made.

To meet unanticipated cash needs, we have brought forward R26 billion in 2019-20, R33 billion in 2020-21 and R10 billion in 2021-22. Further delays in operational reforms could mean additional demands on an already strained fiscus.

We cannot continue to throw money at Eskom. I think everybody agrees. [Interjections.] [Applause.] For the sizeable support required, it obviously cannot be business as usual. In our view, Eskom must do the following: firstly, run their current plants and equipment better; secondly, achieve other operational efficiencies, including better cash management; and thirdly, fast-track the separation of the utility into the three parts as endorsed by the political principals. There should be no doubt about these policy decisions. We have come this far, and we have to complete the race. The Minister of Public Enterprises elaborated on this when he presented the Eskom paper yesterday.

Going forward ... I suppose this is probably the most important announcement of this speech. Going forward, new cash flow support will no longer be based on equity but will be in the form of loans. Going forward, any form of support to state-owned enterprises will no longer be in the form of equity but in the form of loans. [Applause.] [Interjections.] And a loan needs to be repaid with interest. [Interjections.]

Once I am convinced that the Eskom Board and management have made an irrevocable commitment to the implementation of government's decisions and there is enough progress,

we will negotiate the appropriate size of debt relief.
Eskom is a business, and it should be run like a
business.

SOUTH AFRICAN AIRWAYS

Now, SA Airways, SAA, is unlikely to ever generate enough
cash flow to sustain operations in its current
configuration. [Interjections.]

An HON MEMBER: Let it go!

The MINISTER OF FINANCE: Which then begs the question ...

An HON MEMBER: Let it slide!

The MINISTER OF FINANCE: ... how long are we going to be
on this flight path? [Interjections.] I think we can fix
things, and we have the capability and capacity to do
that. Operational and governance interventions are
required urgently! Hon members, I am pleased to learn
that there are conversations involving SAA and potential
equity partners which could liberate the fiscus from this
SAA sword of Damocles.

We have essentially chosen to subsidise the middle class
and wealthy to fly around the country and other parts of

the world, rather than subsidise ordinary workers who sit in old trains from the townships every day, often getting stuck ... [Interjections.]

An HON MEMBER: Like the President!

The MINISTER OF FINANCE: ... often getting stuck in the train and arriving late for work. I think there's an hon member here who got stuck in a train! I won't mention names!

We are also subsidising the wealthy bondholders who hold government-guaranteed debt but receive higher yields without additional risk. That's when we borrow to finance our activities.

E-TOLLS

Cabinet has considered several options to resolve the impasse over the Gauteng Freeway Improvement Project.

An HON MEMBER: Scrap it!

The MINISTER OF FINANCE: The reconfigured approach to the Gauteng Freeway Improvement Project and its financing will be determined by the Ministers of Finance and Transport after consultations with the Premier of Gauteng

and the executive council. Further details will be provided by the Minister of Transport. [Applause.]

However, hon members, not paying your tolls is not an option. [Interjections.] We therefore have to ensure that we honour our obligations. [Interjections.] I urge the nation to pay ... [Interjections.] ... the bills for services rendered. [Interjections.] We need to build a culture of payment, as government services can only be sustained ... [Applause.] ... if we all pay what is due.

OTHER STATE-OWNED COMPANIES

Now, other SOCs that require support from the fiscus will be subject to certain preconditions. One, government as a shareholder commits to the highest standards of corporate governance; two, managers and their teams should not receive bonuses or salary increases when they fail to meet basic financial targets and service objectives. [Applause.] In fact, they should take a pay cut and, in some cases, be relieved of their duties; [Applause.] three, and finally, businesses with outdated business models are a major fiscal risk and should be closed.

PRIORITISING INFRASTRUCTURE

It is critical to drive further infrastructure investment. Public-sector infrastructure projects are

plagued by poor planning and implementation. This comes out in underspending, which reached 20% of capital budgets last year. The Budget Facility for Infrastructure, a technical entity that reviews complex capital projects, has already strengthened its own capacity.

In addition, government has made progress on a blended finance infrastructure model, which is what the President has been speaking about for a while. The fund will be hosted by the Development Bank of Southern Africa, DBSA, and will be led by an actual living human being, Dr Sean Phillips.

The implementation team for the fund is already at work. They have already identified policy and regulatory hurdles. A pipeline of possible projects amounting to more than R500 billion has been identified. Government has set aside R100 billion over the coming decade to finance projects and programmes from this baseline number of R10 billion. Pilot projects receive R500 million in the current year. We are working with the private sector to fund this process. Mr President, I can report that substantive conversations have already taken place with private banks and other institutions so that they can

come to the party, and they are ready and willing to come to the party.

IMPROVING THE EFFECTIVENESS OF THE STATE

We are making progress on improving the efficiency of the state. The state can use its budget much better. For example ... This is a good example, Mr President. I was saying that the state can use its resources much better. For example, the SA National Defence Force, SANDF, buys more than R900 million worth of food a year. So, in these difficult circumstances, the Chief of the Defence Force has informed me that they have started Operation Koba-Tlala – operation “chase away hunger” – which is a deliberate effort by our armed forces to buy food from nearby suppliers. [Applause.] As you know, the Defence Force has many bases around the country. So, if they source their food from local suppliers, that just makes things much better. It removes the middle person and brings down the prices of these goods. Where possible, given budgetary constraints, we should encourage the whole government and parastatal system to do like the SANDF. [Applause.]

Through reprioritisation, the National Prosecuting Authority receives an additional R1,3 billion. This is

important so that they can do the work of getting the criminals in jail.

The Sars receives an additional R1 billion so that they can collect as much revenue as possible. These funding shifts will bolster efforts to combat corruption and improve revenue collection. Let me also say ...

Mr J W W JULIUS: Point of order. [Interjections.]

The DEPUTY SPEAKER: What's the point of order?

Mr J W W JULIUS: My humble apologies, Minister. Deputy Speaker, there's someone taking a video from the ANC benches, there. [Interjections.] With a flashlight ... taking a video and pictures ... there.

The DEPUTY SPEAKER: Hon member, if you are doing that, you are out of order and you know it! [Interjections.]

Mr J W W JULIUS: It is the member in blue there, in the second row from the back.

The DEPUTY SPEAKER: The Whips will attend to that. We want to know who that is, please, so that we act on it. Hon Minister, please proceed.

The MINISTER OF FINANCE: I was interested in the mention of the colour blue! [Laughter.]

Anyway, earlier this month, Cabinet approved over 14 000 hectares of land to be released for human settlements development. National Treasury has reviewed the procurement framework and has developed a Public Procurement Bill which will be considered by Cabinet very soon. The very simple issue of procurement in the government system is that we pay higher prices when we should not. Therefore, we have to attend to this, Mr President. It struggles from this notion of three quotes and then you appoint the lowest quote. It applies to all kinds of bureaucratic mismatches which lead to us losing a lot of time and a lot of money. So, we are reviewing all of this.

I have listened carefully to colleagues who have made inputs about the rigidities in the Public Finance Management Act, but also listened carefully to the SA Local Government Association, Salga, about the impact of the Municipal Finance Management Act. I have listened carefully to that, and we are going to be reviewing it. We are going to ask an independent judge to look at all these laws and see what to do with them. It's likely to be Judge Davis.

**DERIVING VALUE FROM INTERNATIONAL AND REGIONAL ECONOMIC
POLICY**

South Africa rejoined the community of nations in 1994 and has played its part in advancing the peaceful international order. In these fiscally constrained times, we need to relook at the strategic value of all our international commitments without moving away from internationalism.

PROVIDING MORE EQUITABLE HEALTH CARE

The National Health Insurance, NHI, policy aims to provide health care to many South Africans. It is an urgent task that we are pursuing. There are ongoing conversations between the Ministers of Finance and Health, and also between our respective departments. Parliament is also seized with the National Health Insurance Bill.

SA RESERVE BANK

We will take stronger measures to fight illegitimate cross-border flows and tax evasion. Our approach to money laundering will be reviewed by the Financial Action Task Force. [Interjections.] Steps are also being taken to strengthen co-operation between the Financial Intelligence Centre, FIC, Sars and the SA Reserve Bank.

To promote investment and reduce unnecessary burdensome approvals, the SA Reserve Bank will have proposed a more modern, transparent and risk-based approvals framework for cross-border flows by Budget day next year. Rules on active currency hedging, loans and mortgages for individuals living and working in South Africa will be reformed. To support regional integration, the HoldCo – holding company – regime will be extended to all banks in the Republic.

The SA Reserve Bank has, during a very difficult period, kept inflation stable. They have declared a substantially increased profit share to the government. The bank is a very strange creature of statute. Even though we do not own it, the National Revenue Fund receives 90% of the profits from the SA Reserve Bank, after the bank has made provisions for ordinary items usually made by bankers. The last financial year we received a profit share from the SA Reserve Bank of some R200 million. It is a very beautiful arrangement, Mr President. We do not have to invest any money into the bank, but we get almost all the profits plus taxation.

CONCLUSION

Mr Deputy Speaker, that is my presentation today.

Government proposes measures to grow the economy. In

addition, we are committed to narrowing the deficit and raising the quality of spending, particularly on large infrastructure projects. As we do this, we trust that we have the support of the entire House. The less politicised the Budget Policy Statement is, the better for South Africa.

I end my remarks as I began this presentation. The winter has been long, but we must prepare for spring and reposition the Republic to grow and to thrive. We need to plant good seeds for our country, both now and for the future.

Hon President, in June this year you addressed this august House and made clear that the policy of our government is "prudent borrowing and stringent expenditure management to stabilise our public finances and lower the debt trajectory." That is the work that we must now do. That is what the South African public expects from us. We shall return to this House next February, with the nation's beloved aloe ferox having flourished, and show a government at work.

As I conclude, Mr President, without breaching the laws of protocol, may I wish the mighty Springboks all the

best this weekend. I think they will succeed! [Applause.]

Thank you very much indeed. [Applause.]

The DEPUTY SPEAKER: Hon members, I thank the hon Minister. The papers he tabled will be referred to the relevant committees. That concludes the business of the day, and the House is adjourned.

The House adjourned at 15:00.

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