

WEDNESDAY, 30 OCTOBER 2024

PROCEEDINGS OF THE NATIONAL ASSEMBLY

The House met at Nieuwmeester Marquee at 14:00.

The 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.

The SPEAKER: Order, hon members. Can all members take up their seats? We would like to welcome you on this important day where we have the Minister of Finance presenting his Medium-Term Budget Policy Statement. Minister, we've already heard a number of stakeholders and citizens but also political parties indicating their expectations on what your policy statement would look like. So, as this House we are looking at this Budget with anxiety in terms of how much we are going to get. They have already been singing and I'm sure it's been singing in expectation.

I will now also welcome the guests of the Minister and political parties that are here to listen to this Medium-Term

Budget Policy Statement. We also want to welcome the President in joining us in this important session today. I now recognise the hon the Minister of Finance. [Applause.]

**MEDIUM-TERM BUDGET POLICY STATEMENT 2024 INCLUDING REVISED
FISCAL FRAMEWORK**

ADJUSTMENTS APPROPRIATION BILL [B 14 - 2024]

(Introduction)

RATES AND MONETARY AMOUNTS AMENDMENT BILL [B 15 - 2024]

(Introduction)

TAXATION LAWS AMENDMENT BILL [B 16 - 2024]

(Introduction)

REVENUE LAWS AMENDMENT BILL [B 18 - 2024]

(Introduction)

SPECIAL APPROPRIATION BILL [B 19 - 2024]

(Introduction)

GLOBAL MINIMUM TAX BILL [B 20 - 2024]

(Introduction)

The MINISTER OF FINANCE: Hon Speaker Thoko Didiza, Deputy Speaker Annelie Lotriet, His Excellency the President of the Republic of South Africa President Cyril Ramaphosa, His Excellency the Deputy President Paul Mashatile, Cabinet colleagues, members of the executive council for finance, hon members, the Governor of the SA Reserve Bank, the Commissioner of the SA Revenue Service, Sars, and fellow South Africans, I have the honour to table the following documents before this House:

- Division of Revenue Amendment Bill
- Adjustments Appropriation Bill
- Rates and Monetary Amounts Amendment Bill
- Taxation Laws Amendment Bill
- Tax Administration Laws Amendment Bill
- Revenue Laws Amendment Bill
- Special Appropriation Bill
- Global Minimum Tax Bill
- Global Minimum Tax Administration Bill
- Revised 2024-25 Fiscal Framework
- 2024-25 Adjusted Estimates of National Expenditure
- The Medium-Term Budget Policy Statement

All of them are almost half a page.

INTRODUCTION

Madam Speaker, today I start on a sad note. In quick succession, our country lost three former Ministers who in their own unique way made enormous contributions to our democracy. Pravin Gordhan, Tito Mboweni and Membathisi Mdladlana were deeply committed public servants, fearless leaders and true patriots.

In preparing this speech and grappling with the challenges that face the nation in reaching its social and economic development goals, the wisdom imparted by the two former Ministers was a constant source of inspiration.

Pravin Gordhan will be remembered as one of South Africa's great architects in developing a capable state, a world-class revenue authority ... [Applause.] ... and unwavering in his conviction to ethical governance and sound public financial management.

Tito Mboweni will be remembered for contributing to progressive labour market regulations ... [Applause.] ... modernising South Africa's monetary policy, and the passion and intellectual bravery he brought to issues of structural reforms.

In one of his last public interviews, Governor number eight as he liked to be called, spoke of the next few years being defined as the infrastructure years, where the national obsession should be on building much-needed infrastructure. He would be proud that today a cornerstone of our policy statement is the announcement of bold and far-reaching infrastructure reforms.

Our wish is that in a small way this policy statement and the actions it outlines can further the mission they gave their life to – that of a prosperous and thriving nation.

We acknowledge that we are not there yet. However, there is a new light that is shining down on our country and on our economy. Our recent election demonstrated the resilience and maturity of our young democracy. The formation of a Government of National Unity in June, combined with the suspension of power cuts since March 2024, a leap in business and consumer confidence and the receding of inflation in recent months, have raised all of our hopes. Ours is to turn the promise of a better life for all into reality.

His Excellency, Mr President, outlined the three priorities of the Government of National Unity. These are:

- To drive inclusive growth and job creation;

- To reduce poverty and tackle the high cost of living; and
- To build a capable, ethical and developmental state.

Fittingly, inclusive economic growth is at the centre of the work of the Government of National Unity and at the top of the national agenda. This policy statement analyses the trade-offs and choices that the nation is confronted with, charting the path toward growth, transformation and action.

Madam Speaker, later this year South Africa assumes the presidency of the G20 from Brazil. The theme for our presidency will be, Solidarity, Equality and Sustainable Development.

Our presidency is the fourth consecutive one where an emerging economy will lead the forum that influences global economic issues. This is a rare opportunity that only comes around every 20 years. We intend to use our voice to promote a truly African-focused agenda. The G20 presidency gives us an opportunity to showcase to the world our beautiful and diverse country and continent, and its people.

Today, by presenting a policy statement that outlines a clear strategy to grow the economy and retain the health of our public finances, we are building for a better, more inclusive South Africa.

ECONOMIC OUTLOOK**Global Outlook**

Turning to the international outlook, global economic growth is forecast at 3,2% in 2024 and 2025. Global trade is expected to grow by an annual average of 3,3% over the same period.

There are several risks to this outlook. These include persistent geopolitical tensions and the threat of escalating conflict in the Middle East remains a concern. Wars elsewhere, such as in the Sudan and the conflict between Ukraine and Russia threaten regional and international stability as well as global trade. These risks imply that emerging markets and developing countries such as South Africa will continue to face headwinds over the medium term.

Domestic Outlook

Domestically, we forecast a real gross domestic product, GDP, growth of 1,1% in 2024. This is lower than the estimate of 1,3% in February. Over the medium term, growth is forecast to average 1,8%. This underscores the need for higher inclusive growth to meet the aspiration of a better life for all.

This policy statement outlines our strategy to lift the economy to a higher and more inclusive growth path. The strategy is anchored on four pillars:

- One is maintaining macroeconomic stability;
- Two is implementing structural reforms;
- Three is supporting growth-enhancing infrastructure; and
- Four is building an ethical and developmental state.

FOSTERING FASTER INCLUSIVE GROWTH

Hon members, pillar one is about a stable, transparent and predictable macroeconomic framework that creates a conducive environment for businesses and households to save, spend, invest and grow.

The National Treasury has the responsibility for oversight and implementation of the macroeconomic policy framework.

Anchoring inflation expectations is important for our macroeconomic policy framework and this is what the Reserve Bank is responsible for.

To strengthen this framework, we continue to work on assessing the suitability of monetary policy targets and to improve the levers of macroeconomic policy co-ordination.

Pillar two is about implementing structural reforms, including those in Operation Vulindlela. These will continue to strengthen the economy to be more productive and internationally competitive, accelerate inclusive economic growth and foster much-needed job creation.

The first phase of Operation Vulindlela provides tangible evidence that structural reforms can reduce economic bottlenecks. It also demonstrates that government can collaborate effectively with business for the collective good.

Some of the achievements of Operation Vulindlela include:

- A large pipeline of about 22,5 megawatts of private-sector investments in renewable energy projects;
- A 50% reduction in the cost of data for a 1,5 gig;
- A reduction in the waiting period for obtaining a water use licence to almost 90 days; and
- The introduction of an eVisa system for travellers from 34 countries.

Building on these successes, the second phase will continue to prioritise network sectors.

In the energy sector, we will continue to restructure the electricity supply industry, establish a competitive electricity generation market and alleviate constraints on transmission infrastructure.

In transport, we will open the freight rail network to private operators to reduce inefficiencies and costs.

In water, the focus is on creating independent economic regulation and strengthening the local water services regulatory environment.

The second phase will also introduce new focus areas that seek to strengthen local government, harness digital infrastructure and integrate urban environments to make cities more efficient.

INFRASTRUCTURE

Pillar three is about effective infrastructure investment to boost economic activity and enable higher growth over the medium term.

In this regard, we are implementing reforms that will create conditions to attract greater private-sector participation. The reforms include mobilising significant private-sector financing and technical expertise to augment the limited public-sector capacity and capability. We are amending the public-private partnership, PPP, regulations to simplify requirements for undertaking these projects.

The amended Treasury Regulation 16 will be published before the end of November for implementation in 2025-26. The Municipal PPP Regulation 309 will be finalised by June next year.

We are establishing dedicated capacity to plan, prepare and design programmes that will generate a credible pipeline of projects that can be taken to the market.

- The Department of Water and Sanitation's Water Partnership Office has two priority programmes for nonrevenue water and recycling wastewater that require private-sector investment.
- Similarly, the Department of Transport, Transnet and the Passenger Rail Agency of SA are finalising a list of priority projects that will be issued to the market in 2025-26.
- The resolution of the Gauteng Freeway Improvement Project has unlocked a project pipeline to the value of R85 billion for the nontoll network for the next three years.

We are improving the capital budget process.

- The Budget Facility for Infrastructure, BFI, is being reconfigured into a centralised gateway for all large infrastructure projects that require fiscal support to advance.

- From 2025, the facility will have a continuous evaluation process instead of one window per annum. In January, the National Treasury will publish a circular to guide the submission of proposals.

Lastly, government is making a concerted effort to increase the pool of funders to diversify public infrastructure financing through new mechanisms and instruments. These include Build-Operate-Transfer structures and other concessions.

- We are developing a blended finance risk-sharing platform that includes a credit guarantee vehicle that will help de-risk public-sector projects while reducing government's contingent liabilities.
- Fiscal support is proposed for the projects evaluated in the 2024 BFI window. This includes but is not limited to:
- Two hospital projects, including a district hospital in Limpopo;
- Landside capacity expansions at the Cape Town Container Terminal;

- Capacity upgrades on the rail network from Waltloo to Gqeberha;
- Rehabilitation of water infrastructure in eThekweni; and
- Student housing accommodation at six higher education institutions.

A request for proposals will be issued this year for funders who are interested in supporting these projects, as well as projects for urban rail revitalisation, disaster relief and metropolitan trading services. Funding for these will be separated from broader sovereign borrowing and be accounted for separately.

Collectively, the infrastructure reforms will strengthen planning, appraisal, contracting, financing, and monitoring and evaluation. The outcome will be faster delivery of infrastructure that supports economic growth, the expansion of access to basic services and boost job creation.

FISCAL OUTLOOK

Madam Speaker, our fiscal strategy sets out to achieve the fiscal sustainability needed to support inclusive economic growth. It carefully weighs competing demands, making the

necessary trade-offs between what is most urgent and what must wait given fiscal constraints.

The strategy also supports critical social services and addresses the significant fiscal and economic risks that lie ahead. It does this by prioritising the following four key actions:

Firstly, it stabilises government debt by maintaining sufficiently large primary surpluses over the rest of the decade. As announced in the 2024 Budget, a debt-stabilising primary surplus will continue to anchor fiscal policy over the next three years;

Secondly, it focuses on maintaining higher levels of investment by directing a growing share of public spending towards capital projects;

Thirdly, it protects critical services in the context of constrained budget resources. We do this by protecting the social wage, which supports the most vulnerable through spending on health, education, social protection, community development and employment programmes; and

Lastly, it focuses on growth in the Public Service wage bill by ensuring that public servants are compensated fairly, while implementing measures to contain overall costs.

Madam Speaker, to achieve the goals of our fiscal strategy, we must manage our debt better. Debt has risen too fast and is too high. We are anticipating that government debt will reach more than R6 trillion or 75% of GDP in 2025-26.

We know that our debt is unsustainable because debt-service costs have become the largest component of our spending and it is rising faster than economic growth. Debt-service costs will reach R388,9 billion in the current financial year. Put differently, this means for every one rand of revenue that government raises this year, 22 cents of this is paid in debt-service costs.

To deal with this problem, we have taken difficult steps to reduce the budget deficit. We have restrained spending and maintained stable tax collection. As a result of our measures, government achieved a primary budget surplus in 2023-24 for the first time in 15 years. As I said earlier, the surplus is needed for us to stabilise debt.

The primary surplus is not a pot of money. Rather, it is the difference between what government spends, excluding debt-service costs, and what government collects in revenue.

Over the medium term, the main budget deficit will decline from 4,7% of GDP in 2024-25 to 3,4% in 2027-28, with the primary budget surplus rising to 1,8% of GDP. The primary surplus will be sufficient for debt to stabilise at 75,5% in 2025-26.

Debt will then decline over the rest of this decade. The key impact of this is that debt-service costs will also stabilise and begin to decline over the next few years.

Revenue adjustments and medium-term outlook

Madam Speaker, on the revenue side tax collection for 2024-25 is expected to be R22,3 billion lower than what we estimated in February. Over the next two years, the main budget revenue estimate has also been lowered by R31,2 billion.

In the absence of faster growth and in the face of external risks, tax revenue will remain under pressure, forcing us to make difficult decisions on where to spend.

Lower revenue also means that, within the envelope, we cannot accommodate all of the demands on the fiscus. Difficult trade-

offs in all spheres of government will have to be made. By sticking to our debt-reducing strategy and confronting these trade-offs, we can create the necessary conditions for a fast-growing economy that facilitates employment.

Expenditure adjustments and medium-term outlook

Our most immediate spending pressures will be addressed, despite the weaker revenue. Compared to our estimates in February, expenditure for this year will increase mainly for the following:

- Rollovers from the previous financial year to the value of R2,1 billion;
- A R2,7 billion expenditure that was announced at the time of the main Budget, largely for the increase in the Social Relief of Distress grant;
- The unforeseeable and unavoidable expenditure of R2,1 billion, mainly for disaster relief in a number of provinces; and
- A special appropriation Bill that mostly covers the SA National Roads Agency, Sanral's, obligations related to phase one of the Gauteng Freeway Improvement Programme. A large part of this appropriation is made possible by the

Gauteng Provincial Government honouring its R3,8 ...
contribution to the debt this year.

Over the medium term, consolidated expenditure is expected to increase from R2,4 trillion in 2024-25 to R2,8 trillion in 2027-28.

Hon members, our democracy is underpinned by strong independent arms of state. The medium-term spending adjustments are aimed at maintaining the integrity of key institutions and improving state capability.

This is what pillar four is about. It seeks to build a capable state that delivers a reasonable and reliable standard of Public Service that will foster the necessary environment for more growth and jobs.

For this reason, additional funding is proposed for Parliament and the Office of the Chief Justice, mostly to enhance operational capacity in the running of these important institutions.

With the local government elections due in 2026, funds have been set for the Independent Electoral Commission to conduct smooth elections.

Additional funding for Sars is proposed. This is to help the organisation build on its success by driving programmes to enhance the efficiency of revenue collection, while enhancing compliance and facilitating legitimate trade.

We are also implementing initiatives like early retirement, not to merely reduce the size of the workforce but also to introduce younger talent into the Public Service. This is part of building a capable, ethical and developmental government.

We will be harnessing digital infrastructure to roll out critical systems in the provision of service delivery in the following focus areas:

- Digitising and simplifying the application and disbursement process for social grants;
- Broadening access to employment pathways;
- Rolling out digital identification documents;
- Building a centralised and accessible website for all government services; and
- Digitising health records management for the roll out of the National Health Insurance. [Applause.]

DIVISION OF REVENUE

Madam Speaker, government proposes allocating 47,9% of available noninterest spending to national government, 42,3% to provinces and 9,8% to local government in 2025-26.

Let me pause and make the following point. That distribution does not take into account the debt-service costs. The moment you include debt-service costs, the ratios change ... local government because local government and provinces do not pay for the debt-service costs. They are only carried by national government. So the distribution changes. Local government goes up ... its distribution to 12,36%. I just wanted to make that point.

Over time, the share of nationally raised revenue has steadily shifted towards local government. In 2014-15, we were sitting at 8,9% of noninterest main Budget expenditure which was transferred to local government. Compare that to the nearly 10% that it receives now.

The 2025 medium-term period will see the implementation of the first phase of the recommendations of the conditional grant review that the National Treasury completed earlier this year. This includes the merging of various conditional grants such as the Education Infrastructure Grant and the School Infrastructure Backlog Grant. The aim is to reduce duplication

in the management of programmes, and to improve the efficiency and effectiveness of public spending.

We are also undertaking amendments to the Public Finance Management Act and the Municipal Finance Management Act. This process of modernising public financial management was started by the previous administration and will continue over the next months. We will publish the draft pieces of legislation next year.

STRENGTHENING LOCAL GOVERNMENT

Madam Speaker, local government is foundational to building a capable state that fosters economic growth and responds to societal needs. Sadly, many of our municipalities face serious governance, planning and financial management challenges.

As things stand, 50 of the 257 municipalities in the country have active financial recovery plans. Three municipalities are under national intervention and these are Mangaung, Enoch Mgijima and Lekwa. In that regard, the situation is untenable and the reality is that national government cannot intervene in all municipalities at the same time.

To resolve local government failures systematically, several initiatives are underway. The Eskom Municipal Debt Relief Support Programme is among these interventions.

Eskom Municipal Debt Relief

Since February when we last reported on the relief programme, around 70 of the municipalities that had applied for debt relief have been approved. Between March and August 2024, compliance with relief conditions by municipalities improved from 55% to 76%, aided by the National Treasury, provincial treasuries and the Municipal Finance Improvement Programme.

Rand West City is the first municipality to benefit from a one-third debt write-off. This follows its substantial achievement of the debt-relief conditions for the first 12-month cycle. More municipalities stand to benefit from the write-off of debt if they comply with the conditions of the programme.

We implore provincial and national departments owing municipalities to please do one thing. Pay municipalities. In turn, they should be able to pay other things. There are now two water boards that are about to go bankrupt because they can't be paid by municipalities and we can't pay municipalities ourselves. I think we should do something about that. As I've said, this will enable municipalities to pay water boards and Eskom so that utilities can deliver these services to citizens.

Metro Trading Reforms

Hon members, almost 60% of economic activity is concentrated in the eight metropolitan municipalities that are home to six out of 10 people in South Africa. To turn things around in municipal service provision, the reforms in trading services focuses on financial, institutional and management changes in these metros. The goal is to improve outcomes and enable them to generate surpluses to increase investment in infrastructure.

Our efforts are supportive of the intent of the White Paper on Local Government by the Department of Co-operative Governance to reimagine municipalities as transformative vehicles equipped to respond to the needs of residents.

DISASTER RESPONSE AND RISK REDUCTION

Climate-related disasters have intensified, damaging infrastructure and disrupting life. Countries in the Global South bear the largest brunt of these impacts. The increasing frequency and intensity of climate disasters is costly, and we must proactively work to reduce their impact on the fiscus and on society.

One aspect of disaster financing is response and rehabilitation after an event occurs. A slow response to these emergencies results in communities having to wait lengthy periods before they are finally assisted. The recommendations

of the disaster risk financing strategy will be implemented from 2025 to improve readiness and response time.

The National Treasury is undertaking a detailed analysis of the experiences of local governments regarding their access to emergency financing and their ability to disburse it. This analysis will help us better understand their capacity to manage a multilayered, disaster risk finance approach. It will look into the willingness of municipalities to manage their financial responses to disasters independently, existing incentives to invest in readiness and their ability to set aside sufficient funds for their responses.

REFORMING AND MODERNISING PROCUREMENT

Madam Speaker, public procurement accounts for about 19% of consolidated government spending, totalling R1,5 trillion over the next three years. The gazetting of the Public Procurement Act in July marked an important milestone. Though the Act has not come into effect, it sets the stage for better integration of public-sector procurement. Preferential procurement and set asides will provide meaningful participation for those previously excluded and disadvantaged.

The Act also provides for industrialisation through designation, beneficiation, intensification of labour

absorption and other measures within local communities. This is important for factories and businesses.

The single national regulatory framework for procurement also promotes integrity, transparency and measures to prevent abuse in procurement, wasteful expenditure and corruption. The National Treasury is consulting widely in developing regulations that will enforce the provisions of the Act. The regulations will be published in 2025 and these will pass through parliamentary scrutiny prior to promulgation.

As part of developing the regulations, the National Treasury will consider the findings and recommendations from the assessment of South Africa's procurement system, using international standards and universal tools. The assessment was initiated last year and the report will be released publicly next month.

In parallel, we are intensifying our efforts to modernise, digitise and make our procurement system transparent and in line with international standards.

PROGRESS ON THE FATF ACTION PLAN

Madam Speaker, we recently received a positive review from the Financial Action Task Force, FATF. The body found that we have now largely or fully addressed 16 of the 22 action items in

the action plan. [Applause.] This is a remarkable achievement, brought about by the unprecedented co-operation between state departments, as well as with civil society.

The FATF lauded South Africa for improving how it deals with issues of antimoney laundering and countering the financing of terrorism. This leaves us with only six outstanding action items to be addressed for the last scheduled reporting cycle in February 2025.

CONCLUSION

Madam Speaker, the publication of the Medium-Term Budget Policy Statement represents our commitment to an open and transparent budget process. It is intended to empower all stakeholders to contribute to the discussion of the nation's priorities. It makes transparent the budget framework through which government seeks to achieve the nation's social and economic development goals. I hope it is received in this spirit.

Madam Speaker, over the next three years we are embarking on a new journey. We will use our collective efforts to increase the pace and scale of tackling unemployment and building a stronger economy. We will turn the fresh sense of hope, energy and fellowship into action. We must use this opportunity to create an environment for strengthened service delivery,

particularly to underserved communities in urban and rural areas. We must seize the moment to build and invest for the future.

Madam Speaker, as I close allow me to express my deepest gratitude to the President and Deputy President for their counsel, their support and their leadership.

Thank you also to the Deputy Ministers of Finance and the National Treasury team led by the director-general. They have walked this path with me, sharing their insight, expertise and passion for our country freely.

Thank you to the Commissioner of Sars and the Governor of the SA Reserve Bank for their astute stewardship of these two key institutions.

Thank you to my Cabinet colleagues, some of them new, the Ministers' Committee on the Budget and the Budget Council, that share the heavy load of the tough decisions that we must make to maintain the sustainability of our public finances.

To the parliamentary Committees of Finance, Appropriations and Public Accounts, I express my sincere appreciation.

Lastly, you can guess, to my wife and family for their care, consideration and support which is unending. [Applause.]

Finally, thank you to each and every South African.
[Applause.]

The SPEAKER: Thank you, hon Minister. Order, hon members. Can we take our seats? The papers tabled by the Minister will be referred to the relevant committees. I request members to stand and wait for the Speaker and the mace to leave the Chamber. That concludes the business of the day. The House is adjourned.

Debate concluded.

The House adjourned at 14:41.

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

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