# WEDNESDAY, 20 FEBRUARY 2019

***PROCEEDINGS OF THE NATIONAL ASSEMBLY***

The House met at 14:00.

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

# APPROPRIATION BILL

(Introduction)

# DIVISION OF REVENUE BILL

(Tabling)

# PUBLIC AUDIT EXCESS FEE BILL

(Introduction)

The MINISTER OF FINANCE: Madam Speaker, Mr President, of the Republic of South Africa, Deputy President of the Republic, Cabinet Colleagues, the Governor of the SA Reserve Bank, Governor number 10 from Governor number eight, hon members, MECs for Finance, guests; I have a special guest somewhere Madam Speaker [Laughter.] I have a special guest who used to be a member of this House and now she is ...

*Xitsonga*:

... Hosi N’wa-Mitwa II

*English*:

I don’t know where she is she’s ... oh, there she is. [Applause.] Your majesty. Fellow South Africans, *goeie middag, sanibonani, molweni, inhlekanhi* [good day.].

On October 9, 2018, I stood before a Judge of the High Court and took an Oath of Office. I said:

I will be faithful to the Republic of South Africa and will obey, respect and uphold the Constitution and all other law in the Republic. I undertake to hold my office as Minister with honour and dignity;

to be a true and faithful counsellor and to perform the functions of my office conscientiously and to the best of my ability.

Today, I submit before this House the National Budget. It reflects, to the best of my judgment, the nation’s financial situation. It is in the interest of our people and our country, and not in the narrow objectives of any political party. It is to safeguard the sound financial status of the Republic. I do this in my role as Minister of Finance, performing my duties and responsibilities as the guardian of the nation’s finances.

Today, I hereby table:

1. The Budget Speech,
2. The 2019 Budget Review
3. The 2019 Estimates of National Expenditure,
4. The Division of Revenue Bill,
5. The Appropriation Bill, and
6. The Public Audit Excess Fee Bill.

Madam Speaker, in the 2019 state of the nation address, our President set out an ambitious agenda for our nation. It is an agenda that speaks to the South Africa that we

can be. It is a task list for all of us to follow. It lays out a series of interventions that will put South Africa on a bold new path.

How do we make this renewal a reality? As usual, Mr President, I turned to the good book for guidance. In Zechariah 8 verse 12 it says:

For the seed shall be prosperous; the vine shall give her fruit, and the ground shall give her increase, and the heavens shall give their due; and I will cause the remnant of these people to possess all these things.

Where’s Reverend Meshoe now? [Applause.]

As a part-time farmer, I know that in order for the people to “possess all these things”, we have to plant anew. It is time for us to sow the seed of renewal and growth. But for the seed to be prosperous, as Zechariah says, we must first cultivate the soil. Once we have planted the seed, we must nurture it, water it, and protect it from the extremes, the elements and time.

Despite our best efforts, sometimes, ravages and risks

such as pests or rot could attack our green shoots, but we must persevere; we must prune and pluck away at the rot, until there is growth. This we must do as a collective. [Applause.]

In this regard, I’m grateful to fellow South Africans for their keen interest in the budget [Inaudible.], in particular those who have taken time to send me tips for the budget.

If we look after what we sow and what we have ploughed and laboured over so tirelessly since the founding of our democracy, it will grow and the seed will bear fruit.

However, if we abandon our fields, the seeds we plant will wither.

A few years ago, Madam Speaker, one of my predecessors, Minister Trevor Manuel, [Interjections.] Trevor Manuel, handed out succulent plums to the members of this House to demonstrate the times of plenty were upon us then.

Today, we walk into this House with an iconic South African plant, the aloe ferox, this is what it looks like. [Applause.] This is one of the best known South

African plants. It has a long history of medicinal use. It is resilient, sturdy and drought resistant. It withstands the elements. We must take the bitter with the sweet. Today, I bring you a seed to prove that if we plant anew, we can return to those plum times of Minister Trevor Manuel.

Madam Speaker, our President has set us on a track of renewal. But today, I will leave the poetry and the singing to the President and his opponents for later, because said they are going to sign together, so, so, including hon Holomisa, Malema, Lekota, Maimane and so on; so, they will sing together for us. But I am here in my capacity as the Minister of Finance to speak about hard facts and figures.

This Budget is built on six fundamental prescripts:

1. Achieving a higher rate of economic growth;
2. Increasing tax collection;
3. Reasonable, affordable expenditure;
4. Stabilising and reducing the national debt;
5. Reconfiguring state-owned enterprises;
6. Managing the public sector wage bill.

It will not be easy. There are no quick fixes. But our nation is ready for renewal. We are ready to plant the seeds of our future.

# Developments since the October Medium Term Budget Policy Statement

In October, during the 2018 Medium Term Budget Policy Statement, MTBPS, I outlined our main budget fiscal outlook. At that time, we projected that in 2018-19 the tax revenue would be R1,3 trillion and that spending would be about R1,5 trillion. That left us with a budget deficit of R215 billion or 4,3% of GDP, Gross Domestic Product. I said that we were at a crossroads, and that we could go either to heaven or the other way, which means to hell.

Then, we expected economic growth of 0,7% in 2018. This is still our estimate. But many of the risks that we warned about have unfortunately materialised. We now expect a slower but still steady recovery after the 2018 technical recession. It is expected that real GDP growth in 2019 will rise to 1,5% and then strengthen moderately to 2,1% in 2021.

South Africa is a small open economy and we are impacted by events in the global economy. World economic growth is now expected to slow. Thus, constraining South Africa’s export growth forecast. These macroeconomic conditions have led to a weaker economic outlook.

Madam Speaker, walk along with me on a journey of how we have chosen to respond to the challenges that we face.

# Tax revenue and raising SARS capacity

First, we must look at the President’s task list. Then we must match the resources we have to the plan. So, when I was learning about public finance, I was always taught that you first determine policy and then budget; budget follows policy, not the other way around. So, the President has set the policy framework; my duty is to give the policy framework the budget; Mr President. In this current year, tax revenue has been revised down by R15.4 billion compared to our October estimate.

Approximately half of the increase in the shortfall since October is due to higher than expected VAT, Value Added

Tax, refunds. This lowers revenue collection for the year, but it actually puts money back into the economy.

The SA Revenue Services, SARS, is being fixed. My thanks go to Judge Nugent and his panel for their wise counsel. [Applause.] Based on the recommendations of the panel, we do the following first:

1. A new Commissioner will be appointed in the coming weeks;
2. A new Illicit Economy Unit launched in August 2018 will fight the trade in illicit cigarettes and tobacco. I’m sure you saw what they did yesterday somewhere;
3. The large business unit was a major source of tax collection, and its skill was well-known and renowned. Unfortunately, for the past couple of years, this capacity has been undermined. This unit will be reintroduced and will be formally launched in early April;
4. SARS is strengthening its IT, Information Technology, team and its IT systems as this is crucial for our tax collection efforts;
5. Information sharing agreements with allies, internationally, will help fight against cross-border tax evasion as schemes, which are all over the place.

I have requested Judge Davis to assess the tax gap, which is the difference between revenue collected and what ought to have been collected. We will also review the proliferation of duty free shops inside South Africa. [Applause.] There’s something amazing, you come through passport control, you collect your bags and as you walk out you come across a duty free shop, when you have gone through passport control, coming inside the country; very abnormal. So, we have agreed to fix that as quickly as possible.

Fiscal prudence requires some tax changes. We propose additional revenue measures of R15 billion in 2019-20. There will be a slight upward adjustment of the tax-free threshold for personal income taxes, with no change in the current personal income tax brackets. Together, these will raise R12,8 billion.

Madam Speaker, I come now to what in this House is an exciting part of the Budget Speech; excise duties on alcohol and tobacco will be increased, as follows:

1. The excise duty on a can of beer goes up by 12 cents to R1,74;
2. A 750ml bottle of wine, including that wine that’s popular amongst two political parties here, will have an excise duty of R3,15, which is 22 cents more;
3. The duty on a 750ml bottle of sparkling wine – sorry sundowners - goes up by 84 cents to R10,16;
4. The duty on a bottle of whiskey will go up by R4,54 to R65,84;
5. A pack of 20 cigarettes goes up by R1,14 cents to R16,66;
6. The excise duty on a typical cigar goes up by about 64 cents to R7,80; I think this was a staff trying to have a go at me [Laughter.];
7. There will be no change in the excise duty on sorghum beer as a retirement present to hon Buthelezi; hon Buthelezi, but you used to stand when Trevor Manuel made this announcement [laughter.] Ah, no, I’m so unfortunate.
8. Fuel levies will increase by 29 cents per litre for petrol and 30 cents per litre for diesel.

The Road Accident Fund levy increase is not enough to match the Fund’s R215 billion liability. We urge the Department of Transport to quickly resubmit the Road Accident Benefit Scheme Bill for Parliament’s urgent consideration. It will help stabilise fuel prices.

The National Treasury will work with the Department of Trade and Industry and the Department of Economic Development to explore the introduction of an export tax on scrap metal. Minister Patel, you’re okay now? Thank you.

The ordinary taxpayer is fully tax compliant and pays a fair share. So, in the spirit of *Thuma Mina* [Send Me], we say “paying your taxes is the right thing to do.” [Applause.]

# Expenditure

Let me now turn to our spending projections. Since October, government has taken steps to adjust baseline expenditure downwards by a total of R50,3 billion over the medium term. Half of these reductions come from adjustments to government’s spending on compensation.

R12,8 billion comes from measures to reduce spending on specific programmes. Provisional allocations are made for the financial support to Eskom and the Infrastructure Fund. This offsets the baseline reductions and as such the expenditure ceiling is revised upwards by R16 billion over the next three years.

In October, I quoted *Tale of Two Cities* by Charles Dickens. After a few months in this role as the Minister of Finance, I feel that *Oliver Twist* might be more appropriate this time. In short, “Please Sir, may I have some more.”

The state-owned enterprises, SOEs, pose very serious risks to the fiscal framework. Funding requests from SA Airways, SAA, SA Broadcasting Corporation, SABC, Denel, Eskom and other financially challenged state-owned enterprises have increased; with several requesting state support just to continue operating. Isn’t it about time that the country asks itself the question: do we still need all these enterprises? [Applause.] If we do, can we manage them better? [Interjections.] [Applause.] If we don’t need them, what should we do? Oh, I see, parts of the House like this and another, okay.

# State-owned enterprise restructuring

Madam Speaker, I said in October that we would have no holy cows when it comes to our approach to state owned enterprises.

# Eskom

In the state of the nation address, the President announced a clear and executable plan for electricity. At the core of this plan is the subdivision of Eskom into three independent components. This will set the electricity market on a new trajectory, and allow for more competition, transparency and a focused funding model.

Pouring money directly into Eskom in its current form is not sustainable. I want to make it clear that the national government is not taking on Eskom’s debt; let me repeat that, I want to make it clear that the national government is not taking on Eskom’s debt. Eskom took on the debt in the first place. It must ultimately repay it. We are setting aside R23 billion a year to financially

support Eskom during its reconfiguration. [Interjections.] [Applause.]

The fiscal support is conditional on the appointment of an independent Chief Reorganisation Officer, CRO, who will be jointly appointed by the Minister of Finance and the Minister Public Enterprises; with the explicit mandate of delivering on the recommendations of the Presidential Task Team. We will make the necessary announcements in this regard in the coming weeks.

Minister Gordhan and the strong team he has built at the Department of Public Enterprises will continue to exercise close and ongoing monitoring of Eskom: its governance and operations.

Other state-owned enterprises

On other state-owned enterprises, we are reviewing our framework on how we support them. Government has revised the contingency reserve upwards to R13 billion for 2019-

20 to respond to possible requests for financial support.

This is, however, not automatic. Financial support will

be based on the strategic needs but also on whether we can afford it.

During this past financial year, total guarantee utilisation increased by R51,1 billion:

1. Eskom used an additional R50 billion of its R350 billion guarantee in 2018-19;
2. Denel was granted a further R1 billion guarantee;
3. The SAA guaranteed debt increased by R6,2 billion.

However, there’s always something shining from Africa.

1. My congratulations to the Land Bank, which repaid debt, reducing government’s guarantee exposure. [Applause.] There are other entities as well which reduced their guarantees, unfortunately in some of the cases as a result of appropriations.

We must tighten the guarantee rules. If a state-owned enterprise applies for a government guarantee for operational purposes, it will be required to appoint the CRO as I mentioned before. And these things are normal. In the private sector, if the executive and the board are unable to get the organisation going, the banks would appoint the Chief Restructuring Officer. The eyes and ears of the shareholder, very important. As I said, this

is a normal practice in the private sector and we are going to introduce that. You see, it is the same as when provincial and municipal finances are in disarray, government can take over the running of the administration. These rules should also apply to all state-owned enterprises. [Applause.]

Cabinet is considering a proposal to end the issuing of guarantees for operational expenses. Expiration dates on guarantees will also be strictly enforced. As the President announced, strategic equity partners will be found where feasible and possible.

# The consolidated fiscal framework

To summarise: in this coming year, we expect revenues to be about R1,58 trillion and spending is going to be slightly higher, that means we will spend R243 billion more than what we earn.

Put another way, we are borrowing about R1,2 billion every day; assuming that we don’t borrow money on the weekends because of the Soweto Derby. [Laughter.]

This coming year, interest expenditures will be R209,4 billion. This is R1 billion per day. The

expenditure and tax adjustments are designed to largely counteract the additional allocation for Eskom and the revenue shortfall. As a result, gross national debt will still stabilise at about 60% of GDP in 2023-24, broadly in line with our October forecast. We are masters of our destiny, we are not petitioners. Our determination to regain our fiscal prudence will form the basis of our economic recovery. We will be on our way back to the plum years of Minister Manuel.

As we face the future, I am reminded of the words of one of the continent’s independence leaders, Ghana’s President Kwame Nkrumah:

The task ahead is great indeed, the heavy is the responsibility; and yet it is a noble and glorious challenge, a challenge which calls for the courage to dream, the courage to believe, the courage to dare, the courage to do, the courage to envision, the courage to fight, the courage to work, the courage to achieve - to achieve the highest excellencies and the

fullest greatness of people. Dare we ask for more in life?

Restoring our finances and fixing our state owned enterprises will take a lot of courage. But it can be done.

# Division of revenue

Madam Speaker, the Budget remains redistributive. Taxes raised in wealthier areas fund poorer provinces and municipalities. In this Budget, 47,9% of nationally- raised funds are allocated to national government, 43% to provinces and 9,1% to local government over the medium term, after providing for debt-service costs and the contingency reserve. Pro-poor spending continues to grow in real terms.

# Medium-term spending plans

Let me start my presentation on government’s spending priorities by taking you through the key interventions government is making to reduce compensation spending.

Wage bill adjustments

The public wage bill is unsustainable. [Applause.] We must shift expenditure to investment. National and provincial compensation budgets will be reduced by R27 billion over the next three years.

The first step … if you could just listen. The first step is to allow older public servants who want to do so, to retire early and gracefully. This will save an estimated R4,8 billion in 2019-20, R7,5 billion in 2020-21 and

R8 billion in 2021-22. In time, this will be complemented by limits on overtime and bonus payments as well as pay progression. I will be commencing conversations very soon with the Minister of International Relations and Co- operation together with the President to deal with the system of staffing our diplomatic missions which is difficult to justify and should be reviewed urgently. [Applause.]

As a gesture of goodwill of Parliament and provincial legislatures and the executives at public entities, they will not be receiving a salary increase this financial year. [Applause.]

My colleague, the Minister of Public Service Administration will outline the details of the early retirement framework during the course of the week.

# Fulfilling government’s programme of action

The Budget proposes total non-interest spending over the next three years of R5,87 trillion. This, after taking into account measures taken over the three years to consolidate the public finances. The largest allocations are R1,2 trillion for learning and culture, R717 billion for health services, including National Health Insurance, and nearly R900 billion for social development.

The President set us these five tasks:

1. Accelerate inclusive economic growth and create jobs;
2. Improve the education system and develop the skills that we need now and into the future;
3. Improve the conditions of life for all South Africans, especially the poor;
4. Fight corruption and state capture;
5. Strengthen the capacity and capability of the state to address the needs of the people.

Mr President, let me illustrate how the Budget responds to the priorities for us.

Accelerate inclusive economic growth and create jobs

The private sector is the key engine for job creation. Government’s policy actions aim to end policy uncertainty so that confidence returns to economic agents. The

R300 billion worth of pledges made at the Investment Conference last year demonstrate that there is pent-up private sector demand if we grab hold of the opportunity.

Visa requirements are being relaxed, accompanied by administrative measures, to make it easier for tourists to visit and invest in South Africa.

We have also increased the income eligibility thresholds for the highly successful employment tax incentive scheme. Jobs for 1,1 million young people are supported by this programme.

#Data costs must fall!

The Minister of Communication will shortly be issuing policy directives to Independent Communications Authority of South Africa, ICASA, for the licensing of spectrum. I will work relentlessly with the Minister until this matter is brought to close at last. This includes resourcing ICASA for this mandate.

Government has allocated R19,8 billion for industrial incentives, of which R600 million has gone to the clothing and textile competitiveness programme. This will support 35 500 existing jobs and create about 25 000 new jobs over the next three years. [Applause.]

The Jobs Fund is a vital complement to private sector job creation. The Fund has disbursed R4,6 billion in grant funding and created well over 200,000 jobs since inception. The allocation to this Fund will rise over the next three years to R1,1 billion.

R481,6 million is allocated to the Small Enterprise Development Agency to expand the small business incubation programme, hon Zulu. [Applause.]

A robust debate on land is taking place in South Africa. We are supporting private sector investments in agriculture by emerging farmers. R1,8 billion is allocated for the implementation of 262 priority land- reform projects over the next three years. R3,7 billion is set aside to assist emerging farmers seeking to acquire land to farm; not for weekend specials.

The Land Bank will support smallholders, and leverage partnerships with other financial institutions. It aims to disburse R3 billion in the next fiscal year. I received a number of tips from fellow South Africans, proposing changes to policy to encourage the commercial growing and processing of the green thing; for the export market. I’m unable to pronounce this thing here. So, this clearly, I will have to pass the ball to onto the leadership to deal with it. But many people out there say “make this thing legal for the export market.”

Improve the education system and develop the skills that we need

Learning and culture receives the largest share of spending as government continues to provide access to

quality basic and higher education, developing skills, provide training and contributing to social cohesion.

Over R30 billion is allocated to build new schools and maintain schooling infrastructure. An additional

R2,8 billion is added to the School Infrastructure Backlogs grant to replace pit latrines at over 2 400 schools. But to make certain these schools are effective centres of learning will also require parents to be a visible and constructive part in the governance of schools. I was saying to the workers who were demonstrating outside that the parents must not be afraid to do the homework with their children, so that they participate in the learning process. Don’t be afraid of homework, hon members.

Fully subsidised education and training for the poor is the government’s flagship higher education intervention. Over the medium term government will spend R111,2 billion to ensure that 2,8 million deserving students from poor and working class backgrounds obtain their qualifications at universities and Technical And Vocational Education And Training, TVET, colleges. [Applause.]

Finally, the global renown of South Africa’s art and culture is an expression of our soft power and our heritage. Our public finance choices should reflect an intention to preserve and add to our cultural canon.

Officials from the National Treasury and the Department of Arts and Culture will consider proposals for the development of a new national state theatre, a new national museum, and also consider financial support for the National Archives, a national symphony orchestra and ballet troupe. [Applause.] I need to make a declaration; I’m a patron of ballet theatre.

Improve the conditions of life for all South Africans, especially the poor

In the fight against poverty and inequality, government has allocated R567 billion for social grant payments. In 2019, the grant values will increase as follows:

* R80 increase for old age, disability, war veterans and care dependency grants;
* R40 increase for the foster care grant to R1 000;
* The child support grant will increase to R420 in April and to R430 in October.

Health services

In health, we need simple, effective interventions. We need more doctors and nurses. R2,8 billion has been reprioritised to a new human resources grant and

R1 billion for medical interns. R1 billion has been added to raise the wages of community health care workers to R3

500 per month. Finally, about R319 million is allocated to eliminate malaria in South Africa; starting by removing those other little creature, which are troublesome.

Access to housing

Government continues to focus on supporting people to own their own homes. Funding totalling R14,7 billion over the two outer years has been reprioritised to two new conditional grants for informal settlements which will enable these households to have access to basic amenities.

Our Help to Buy subsidy helps first-time home buyers purchase a home; which is very crucial in our society. As a pilot, it gets R950 million over three years.

Economic infrastructure

The South African National Roads Agency is allocated an additional R3,5 billion over the next three years to improve non-toll roads. In October, I emphasised the importance of the user pay principle. It is a principle that must be upheld. In any future negotiations, this should be borne in mind as we find appropriate solutions.

# Combating crime and corruption

Over the past couple of years South Africa has been grappling with corruption. We must root this out. I’m pleased Mr President that the National Treasury and the Department of Justice will work swiftly to support the establishment of the new Investigating Directorate in the National Prosecuting Authority, NPA. [Applause.]

# Strengthen the capacity and capability of the state to address the needs of the people

My colleagues at provincial and municipal level are working as best as they can to deal with rising wage costs and reduced transfers. Provincial treasuries and

the municipalities have a partner in the National Treasury to work with, on their constitutional obligations. The National Treasury is not an enemy of any state institution, it is there as a guardian of the nation’s resources and also to facilitate growth and development. There is capacity in National Treasury to work with the municipalities and provincial governments. Let’s make use of that capacity and the willingness of the good hearts at the National Treasury. Grants such as the Financial Management Grant, and the Municipal Systems Improvement Grant are available, Madam Speaker. I hereby table, before this House, the Public Audit Excess Fee Bill in order to strengthen the Auditor-General’s office and roles. We need to assist the Auditor-General in achieving these objectives, that’s why I’m tabling this Bill together. [Applause.]

We need to build a strong culture of payment for service in our country. And here I look at Deputy Speaker Lechesa, the President, Minister Mfeketo, hon Minster Gordhan, hon Lekota and say, you were very good during the anti-apartheid struggle, you were very good; you encouraged our people to fight against the apartheid system, to boycott, not to pay for services, you were

gallant fighters. [Laughter.] [Applause.] Today, Mr President, I ask you and the other gallant fighters against the apartheid system to go back to communities to encourage them to pay for services. [Applause.] *Thuma Mina*, I want to lend a hand, I want to be there when the people turn it around. So, I’m sending you now, hon members.

Collecting the revenue due to the state is the underlying function of a democracy, of building a nation, and it is our duty to pay for services as I mentioned.

The National Treasury will lead a process to encourage those, including government departments, Minister Nxesi; government departments owe municipalities a lot of money. So, *thuma mina*, lead the payment process, Minister Nxesi, please.

Finally, service providers must build what they promised at a reasonable rate. We have to be far stricter in the granting of the contracts and avoid to be taken to the cleaners unnecessarily.

# Future proofing the budget

So, the budget is also about trying to set out our long- term vision.

We spend a lot on infrastructure. Four things will get us better infrastructure: First, is to create a sensible project pipeline. Second, is streamlining the law to make it easier to build. Third, better information for everyone. And finally, to actually do the job that needs to be done. [Applause.]

So far we are working on a wastewater treatment facility works in the Vaal. Immediate lessons learned are that our soldiers can do the work quickly and very simple. But then the department responsible for releasing the funds for the soldiers refuse to release the funds. [Interjections.] So, we’ll have to rely on the Minister of Mining is his capacity, somewhere, to loosen the processes.

A solar water geyser programme is underway, as is student accommodation. R625 million is allocated to the Development Bank of Southern Africa, DBSA, the Government Technical Advisory Centre and the Presidential Infrastructure Coordinating Commission to strengthen

project preparation in this context and on a speeded up basis. So, rather than going around creating too many institutions, we are going to bring capacity to come together at the DBSA to fast track the processes. Details on several priority projects can be found on the Vulekamali portal. It’s a facility in the National Treasury website.

The infrastructure fund is a central pillar of the Budget and of reprioritisation. It will accelerate R526 billion worth of on-budget projects by bringing in the private sector, development finance institutions and so on. In several instances the private sector will design, build and operate key infrastructure assets. In addition, government will commit R100 billion over the next decade in this infrastructure fund.

But as Amo Leonard, who joins us today from Bloemfontein, correctly points out in the budget tip: infrastructure must be maintained, must not wait till things fall apart. [Applause.

As we look to the future, I see the following huge shifts in society and the world:

The first, naturally is the rise of technology and the so-called the Fourth Industrial Revolution. Twenty-five years ago, the Budget was prepared on reams of paper, carefully stapled together; those are the science of the time. Well, things have changed a bit. I can confirm that I reviewed this speech on my tablet, and you can keep track of the speech on Twitter right now. By the way, it is at #RSABudget. That’s where you find it. Who knows how the Budget will be prepared in twenty-five years’ time?

We need to move with the times.

Our budget spending has to focus on getting our country ready for technology. The first step is to fix our education system. Government is rolling out a maths and science grant. The Governor of the SA Reserve Bank is driving an ambitious FinTech programme, together with other colleagues and other financial-sector regulators.

The sustainability challenge affects us all. Climate change is real. The steps being undertaken at Eskom will allow us to expand renewable energy, and the carbon tax will come into effect on 1 June 2019.

The third challenge is rapid urbanisation**.** We cannot go on building horizontally, a serious consideration must be given that would begin to build vertically, as part of an integrated urban development strategy.

The final challenge is nationalism. In many successful economies, immigrants have been a source of dynamism. Narrow nationalism often leads to stagnation. We need to redouble our efforts to attract highly-skilled people into South Africa. Professor Ricardo Hausmann of Harvard University says: it talks to the “know-how” that when you feel that you don’t have the know-how go out to the world and get it without diminishing your own domestic effort to build your skills. These are complimentary efforts we need to get into. We need to free our entrepreneurs from stifling regulations and complicated taxes. We will continue to work closely with our partners in the Brazil, Russia, India, China and South Africa, BRICS, the African Development Bank, ADB, and the Southern African Customs Union, SACU.

Madam Speaker, it is prudent to say that we are a shareholder in a number of multilateral institutions and

this ensures that South Africa plays its rightful place on the continent and the world over.

Before I conclude, my thanks to the President of the Republic for his leadership, foresight and a greater sense of interest in the budget process. [Applause.] The fact that you allocated so much time to work with us Mr President, is highly appreciated. But you go too much into detail. [Laughter.] But it’s fine, it’s okay, we can cope with that. A word of appreciation goes to the Director-General National Treasury, Dondo Mogajane, and his team of young dedicated people who are really genuine good civil servants. The Deputy Minister of Finance, who always makes sure that I am kept busy and on my toes.

Their good humour and determination have got us through a difficult Budget.

Special thanks to Acting SARS Commissioner and the team at SARS for the sterling work that they are doing, we really appreciate it. The 10th Governor of the South African Reserve Bank for his support and collegiality. The colleagues in the Cabinet, who I find to be amongst the warmest people to work with, I thank you for that.

The Minister’s Committee on the Budget, I thank you for walking this mile with us.

Let’s go back to the good book: Even though we walk through the darkest valley, we will fear no evil, for you are with us; your rod and your staff, they comfort us.”

Madam Speaker, we have outlined what our objectives are in this address, we have submitted the necessary documentation that needs to be submitted and the Budget plants a seed for renewal and growth. It is all of our duty to tend the seed and see that it grows strongly, tall and fruitful. It is a Budget for the future.

This being the case, for ye shall go out with joy, and be led forth with peace: the mountains and the hills shall break forth before you into singing, and all the trees of the field shall clap their hands. Thank you very much. [Applause.]

The SPEAKER: I thank the hon Minister. The papers tabled by the Minister will be referred to the relevant committees.

Business Concluded.

The House adjourned at 14:49.