2015

Medium Term Budget Policy Statement

Speech

Minister of Finance
Nhlanhla Nene

21 October 2015

Honourable Speaker

Mister President
Deputy President

Cabinet Colleagues and Deputy Ministers
Governor of the Reserve Bank
MECs for Finance

Honourable Members
Fellow South Africans

It is my privilege to present the 2015 Medium Term Budget Policy Statement, together with the Adjustments Appropriation Bill and the Division of Revenue Amendment Bill for 2015/16.

Honourable Members, global economic growth has slowed. Commodity prices remain depressed and unemployment has increased in many parts of the world.

Growth is considerably lower in our economy than we projected in February. This is in part a consequence of the global slowdown, but it also reflects our energy constraint and structural weaknesses in our economy.

In these challenging circumstances, we have had to revise our revenue estimates down for the period ahead. The MTBPS outlines the tough choices we have to make, and challenges us to implement the National Development Plan with vigour.

Without stronger economic growth, the revenue trend will remain muted. If revenue does not grow, expenditure increases cannot be sustained.

Growth and economic transformation

Over the past decade, there has been substantial progress in our social and economic transformation.

Minister Radebe recently released the latest Development Indicators Report.

- It shows that South Africa's life expectancy increased from 52 years in 2004 to 61 in 2014.
- Infant mortality dropped from 58 to 34 deaths per 1000 live births between 2002 and 2014.
- Over this period, the number of households living in formal dwellings increased from approximately 8 million to 12.4 million.
- The share of households with basic access to electricity increased from 77 per cent to 86 per cent.
- Access to water increased from 80 to 86 per cent and access to sanitation increased from 62 to 79 per cent.
- The proportion of 5 year-old children attending early childhood development facilities has more than doubled to 87 per cent, and adult literacy has increased to 84 per cent.

The Development Indicators also signal several important long-term trends in our social and economic structure. These include:

- The movement of people from rural areas and small towns to cities, and the changes in lifestyle and living standards that are associated with that;
- The rising use of public transport and urban amenities;
- The increasing demand for education, use of social media and access to the internet;
- The growing importance of service industries and tourism, and the growth of our economic links with Africa and the global economy.

In reflecting on our transformation challenges, Honourable Members, it is clear that a new growth path is needed if we are to unleash the development potential of these structural trends.

- Building houses is not enough: we have to re-shape our cities to create integrated and productive living environments.
- Our education and training capacity is not enough: we have to invest in quality improvements and meet new skills requirements.
- Our levels of investment are not enough: we have to modernise technology and compete effectively in the global economy.
- Our present retirement and insurance arrangements are not enough: we need a more comprehensive approach to social security.

- And we also know that growth is not enough: investments in health, nutrition and basic living conditions are key contributors to poverty reduction, social mobility and lower inequality.

These are large themes, Honourable Members. I should refrain from trespassing on territories that are supervised by Cabinet colleagues. My point is that the proposals in our medium term budget projections are only the more quantifiable instruments of our transformation. There are deeper and more profound currents. It is in the quality of our services, and the integrity of our engagements, that we have the most powerful levers of social change.

Quality and integrity cannot be assured, as we know, by laws or ideological precepts, by sanctions or emotional appeals. They derive from dedication, commitment and shared values.

I have in mind, Honourable Speaker, the two *phakisa* consultative laboratories currently under way or about to begin. One is focused on basic schooling, and the other on the mining sector. One is looking at the role of technology in the classroom, the other at modernising industrial methods and systems.

But the important conversations in these laboratories are not about computer programmes or mechanical tools. They are about our children, and how we value their future. They are about men and women who work in arduous conditions and on whose productivity we all rely. The important conversations are about commitment and inter-dependence, about our trust in an inclusive social contract to make the future better.

When times are tough, as they are now, it is that much more important that we strengthen the partnerships that put our children first; partnerships that signal our commitment to decent work, that open up participation in our economy and that broaden access to land, skills, finance and development opportunities.

If we do not achieve growth, revenue will not increase. If revenue does not increase, expenditure cannot be expanded.

Mister President, you have called on your Cabinet to review and give impetus to our growth strategy. In government, in business, in unions and in civic formations; all of us have a part to play in building a more prosperous, sustainable future.

Economic outlook

The MTBPS projection is that the South African economy will grow at about 1.5 per cent this year, rising marginally to 1.7 per cent next year. This is considerably lower than at the time of the February budget, when we envisaged 2 per cent this year and 2.4 per cent in 2016. The IMF also projects a decline in growth next year.

- Electricity supply constraints, falling commodity prices and lower confidence levels have resulted in our growth forecasts being revised lower.
- Investment growth will be just 1.2 per cent this year. Limited employment growth and household income constraints are holding back consumption.

- Exports have grown strongly this year, a welcome recovery after setbacks in mining and manufacturing last year. Although exports have grown faster than imports since 2012, the current account deficit on the balance of payments is still a sizeable 4.1 per cent of GDP this year.
- Consumer price inflation has declined from 6.1 per cent in 2014 to a projected 4.8 per cent this year. Higher food prices and the weakening of the rand are expected to contribute to a rebound in inflation to around 6 per cent a year over the period ahead.

Financial market volatility is high and capital inflows into emerging markets have slowed. This has raised borrowing rates for emerging markets globally.

In addressing our barriers to growth, Honourable Speaker, there is progress on several fronts.

Though there is still a long way to go in building energy security, we are now benefiting from Eskom's enhanced maintenance efforts and our expanding renewable energy programme. The first unit of Medupi also came online, adding 800 MW of capacity to the grid. Minister Joemat-Pettersson has invited proposals for independent coal and gas power projects. The National Treasury is working with the Department of Energy to assess proposals and financing options for building additional nuclear power capacity.

Rail capacity continues to expand, alongside road, water and telecommunications networks. Increased investment in broadband was one of the main reasons for South Africa's improved ranking in the Global Competitiveness Report to 49th place out of 140 countries.

Amicable settlements have been reached this year in the coal and private security industries, and for the majority of gold workers. The CCMA has become increasingly proactive in settling labour disputes thanks to changes in the Labour Relations Act. NEDLAC is working on practical ways to avoid protracted and disruptive strikes, while also considering proposals for a national minimum wage.

Our Employment Tax Incentive (ETI) for young work-seekers continues to attract broad participation. Total claims for the incentive have amounted to R3.9 billion since the start of the programme, up to the end of July 2015. It has been claimed by over 36 000 employers, for over 250 000 workers. There has been active debate around its impact. The ETI will be carefully assessed in due course, recognising that all programmes and incentives should be evidence-based and continuously evaluated. This will complement research by the Davis Committee on the role of incentives in the corporate tax system.

Honourable Members, bold action is needed. Restoring the momentum of growth requires policy certainty, confidence and trust, shared between government, business, workers and households.

Regional and international cooperation

Honourable Speaker, strengthening our engagement with Africa and the wider Southern Africa region is a critical element in our growth and development strategy.

Regional integration means practical collaboration in building infrastructure, investment promotion and growing trade linkages.

In order to fast-track key projects, we have introduced a Project Preparation and Development Facility for the SADC, managed by the Development Bank of Southern Africa.

Feasibility studies have recently been approved for a project to improve South Africa and Zimbabwe's access to Mozambique's hydro power capacity, and a major rail project to link Zambia, Angola and the DRC.

South Africa continues to use its membership of the G20 to support international cooperation in lifting growth and reducing global inequality. We welcome the detailed and wide-ranging commitments made by the global community in the 17 Sustainable Development Goals for the next fifteen years, and the related agreement on Financing for Development.

Also to be welcomed is the package of measures that has been agreed this year to counter corporate profit shifting and base erosion. South Africa has already committed to automatic exchange of financial information for tax purposes. The first exchange took place last month. Over 90 countries have committed to exchanging information by 2018, including several low-tax jurisdictions. Soon, tax evasion and aggressive tax planning will have nowhere to hide.

In July this year, the agreement between Brazil, Russia China, India and South Africa to establish a New Development Bank reached fruition. We will shortly respond to the NDB's opening invitation for project proposals. A special appropriation will be tabled this year to provide for the first tranche of our capital commitment to the NDB. This R2 billion investment will be covered by proceeds from the sale of government's stake in Vodacom.

Revenue trends and tax reform

Honourable Speaker, I have already indicated that our revenue estimates are adjusted down in this MTBPS, as a result of the slowdown in economic activity. Gross tax revenue is revised down by R7.6 billion this year, and by R35 billion over the three-year period.

Revenue has nonetheless held up well since the 2008/09 recession. This signals both the resilience of our tax policy framework and continued strength of tax administration.

Fellow South Africans, tax compliance lies at the heart of nation building and social cohesion. Without a buoyant revenue base, a nation cannot develop and succeed.

Allow me therefore to express my appreciation to all those, whether in the Revenue Service or on the other side of this social contract, who ensure that taxes are paid, in full, on time.

Over the medium term, we will continue to explore reforms that promote an efficient and progressive tax system. Recommendations of the Davis Tax Committee already under consideration cover:

- profit shifting and the misuse of transfer pricing,
- mining taxation,
- small business taxation,
- VAT and the estate duty.

I have asked for further advice on wealth taxes. The committee has published an instructive report on the role the tax system in supporting inclusive growth, employment, equity and fiscal sustainability.

Allow me to urge all stakeholders to take the opportunity to comment on these reports, so that the final recommendations are well informed and thoroughly debated.

There will be a further opportunity to debate the proposed design of a carbon tax, when the draft bill is published for comment later this month. This forms part of a package of measures which Minister Molewa will take to the United Nations Climate Change Conference later this year. This package is intended to ensure that South Africa makes a fair contribution to global efforts to reduce greenhouse gas emissions.

Fiscal policy and the budget framework

Honourable Members, our central fiscal objective over the period ahead is to stabilise debt as a share of GDP.

In the immediate aftermath of the 2008 recession, the budget deficit widened sharply to support our economic recovery. The deficit has since narrowed and is expected to be 3.8 per cent of GDP this year, falling to 3 per cent over the medium term.

- Following the recession, government debt increased from around 26 per cent of GDP to 47 per cent in March this year.
- Our projection is that debt will rise by a further R600 billion over the next three years, while stabilising as a percentage of GDP.

In support of our long-term fiscal framework, the MTBPS proposes a fiscal guideline for the expenditure ceiling in the outer year of the fiscal framework. The proposal is that the spending ceiling should be linked to South Africa's long-term economic growth projections.

Over the long term, the guideline maintains spending as a stable share of national income. A structural change in expenditure would have to be accompanied by corresponding revenue measures.

Without economic growth, revenue will not increase. Without revenue growth, expenditure cannot increase.

As we have done since 2012, Honourable Members, the overall expenditure limit in the MTEF remains in place. If further steps are needed to protect the public finances, we will take them. We are staying the course.

The main change in the fiscal framework by comparison with the February budget arises from this year's settlement of salary adjustments and benefits of public servants. The agreement provides for additional costs of 10.1 per cent this year, and improvements that will be at least two percentage points higher than consumer inflation in the next two years.

The shortfall in compensation budgets is accommodated in the expenditure framework largely by drawing down on the contingency reserve. Nonetheless, departments will need to reallocate spending from other priorities. For the period ahead, the improvement in compensation means that there is no room for expanding government employment.

This is not a sustainable situation. We recognise the need to improve the negotiating process and reform public sector remuneration.

Work is also underway to develop better approaches to capital project appraisal and the financing of major infrastructure investments, either as departmental initiatives or where these are undertaken by state-owned companies, municipalities or independent investors. Well-informed selection of projects is a key step in enhancing the productivity of infrastructure services.

The introduction of Socio Economic Impact Assessments will also assist in improving coordination of government's policy choices and identifying unintended consequences earlier in the process of developing regulations and legislation.

In moderating the budget deficit and stabilising government debt, we are mindful that Eskom, Transnet and several other state-owned companies have large borrowing requirements. Infrastructure investment by our cities, larger municipalities and water utilities also requires access to the capital markets.

Honourable Members, financing of state-owned companies that are responsible for growth-enhancing infrastructure investments is one thing. Relief for entities that should be self-sustaining or that have mismanaged their commercial activities is quite another. This remains a serious risk to the medium term fiscal outlook. Work has therefore begun on a legislative framework to regulate state-owned companies and to address their governance challenges.

Division of revenue

The main budget is the largest part of the consolidated fiscal framework. Over the MTEF:

- National departments are allocated around 47½ per cent of the main budget,
- Provinces just over 43 per cent, and
- Municipalities about 9 per cent.

As we know, provinces account for 70 per cent of all public service employees. They therefore have to make substantial adjustments to accommodate the increased cost of the wage agreement. To assist with the adjustments, R3.8 billion is added to the provincial equitable share this year and a further R49 billion over the MTEF. However, this will not fully fund the shortfalls. Provinces will have to seek further cost-efficiencies in order to maintain service levels.

Provinces have already taken steps to contain costs. Personnel numbers have declined by about 2 per cent since 2012, including a reduction of over 10 000 since the start of this financial year. Provincial spending has been reduced on non-essential goods and services, like advertising, travel and consultants.

Other initiatives to improve government efficiency are bearing fruit. Health departments, for example, have improved supply chain management procedures to reduce wastage in medicines and laboratory costs. In addition, a number of provincial public entities have been rationalised to reduce duplication of work.

Budget allocations to municipalities continue to prioritise the roll-out of basic services to historically disadvantaged areas. This has led to millions more households having clean water, a safe toilet, and lights to switch on in the evening.

However, these services have come under stress in some areas because of poor maintenance or weak operations. While continuing to extend services where they are not provided, attention has to be given to the reliability and functionality of municipal infrastructure services.

Allocations to local government continue to grow faster than the national and provincial shares. This reflects the priority placed on the basic services delivered by municipalities. Over the 2016 MTEF, allocations to municipalities amount to R351 billion, growing at an average of 8.2 per cent a year. This includes provision for free basic services, eradication of infrastructure backlogs and institutional capacity-building.

National Treasury has led a review of municipal infrastructure funding arrangements, with a view to promoting better management and maintenance of assets. Reforms to be implemented in 2016 include rationalising grants to reduce unnecessary administrative overlaps and improving responsiveness to social and economic needs of citizens.

The development needs of our cities demand that we not just rely on government funds but also bring private investors on board. In August this year, Minister Gordhan and I co-hosted an Urban Investment Partnership Conference that brought together cities and private investors to explore options to increase municipal infrastructure investment. In support of this, the Development Bank of Southern Africa is expanding its longer term financing of infrastructure.

We have a clear responsibility to ensure that the fragmented, racially segregated cities we inherited become dynamic, integrated sites of enterprise and improved living conditions for all.

Medium term expenditure framework

Honourable President, the key priorities of your administration remain at the centre of our medium term expenditure plans.

Education and skills development account for the largest share of spending. Health services, social protection, infrastructure investment and support for job creation are also prioritised.

Government spending is set to grow at 7.2 per cent a year over the medium term, remaining above inflation. The allocations we are proposing today are guided by the 2014-2019 medium-term strategic framework and its 14 outcomes.

Government proposes to allocate R313 billion to capital spending and housing over the MTEF period, with about R165 billion allocated for community infrastructure. Another R229 billion will be transferred to municipalities for infrastructure projects.

Our social assistance grant programme is central to the relief of poverty and vulnerability. Approximately 16.7 million South Africans receive social grants currently. With effect from this month, the old-age, war veterans, disability and care dependency grants are increased by R10, to bring the annual increase in line with long-term inflation. Over the three-year period ahead, nearly R13 billion will be added to social assistance budgets.

Additions to health expenditure will further strengthen our response to HIV and AIDS and scale-up interventions to address TB. Health budgets are set to grow by 8.3 per cent a year between 2015/16 and 2018/19.

New resources will also be allocated to improve primary health care. Under Minister Motsoaledi's guidance, National Health Insurance will be phased in, drawing on the lessons of the district pilot projects.

To enhance basic education, provision of learner and teacher support materials is prioritised, including workbooks to over 10 million learners each year. Basic education allocations over the MTEF increase by 8.2 per cent a year. Funds are allocated to enable early childhood development programmes to enrol a further 127 000 learners.

Honourable Members, we have been reminded this past week of the challenges of financing the expansion of further education and university opportunities. It needs to be said that disruption of learning is not constructive. But Minister Nzimande has rightly indicated the need to strengthen student financing further, and to find solutions where current arrangements are inadequate.

Allocations to public employment programmes over the next three years amount to R37 billion. This will allow the Expanded Public Works Programme to create about 6 million short-term jobs. By 2017, the Community Work Programme will exist in every municipality.

Support for enterprise development over the MTEF period includes R24 billion in tax incentives and R16 billion in direct funding to support industrialisation. These initiatives include the Manufacturing Competitiveness Enhancement Programme and the Automotive Production and Development Programme. Special economic zones will receive continued funding, including new zones in the Free State and Gauteng. A review is proposed to assess the impact of fiscal incentives on economic growth, productivity, competitiveness, the balance of trade and employment.

Over the next three years, the South African Police Service will strengthen its public-order policing capabilities and address training gaps, including those identified by the Marikana Commission of Enquiry. The South African Human Rights Commission, the Public Protector and the office of the Chief Justice receives additional allocations to address capacity challenges.

Substantial additional allocations are proposed for national and provincial roads. These include a fiscal contribution for the Gauteng Freeway Improvement Project to compensate for the reduced user charge dispensation, half of which will be recovered from the province.

Our development approach includes a strong focus on building partnerships with the private sector to boost inclusive growth and job creation in South Africa's cities. Government will continue to support municipal planning and implementation of urban development projects that catalyse spatial change. These include the Cornubia and Warwick Junction projects in eThekwini, the Sleeper-site development in Buffalo City and redevelopment of Athlone power station in Cape Town.

A revised capacity building initiative, aligned to the Back to Basics strategy, will be targeted at municipalities in 27 priority rural districts. Grants to rural areas continue to support municipalities to eradicate backlogs in access to services, increase mobility and create opportunities to grow local economies.

The 2016 Budget will provide assistance to municipalities that will be merged after the 2016 local government elections, for the administrative costs involved. Let me take this opportunity to remind councillors and officials that we expect financially responsible budgeting and expenditure management during the run-up to elections. Guidance in this regard will be issued by National Treasury.

In all of these initiatives, Honourable Members, the quality and integrity of governance are critical elements in achieving the outcomes we seek. As this year's winner of the Nobel Prize for Economics, Professor Angus Deaton, puts it:

"The absence of state capacity, that is, of the services and protections that people in rich countries take for granted, is one of the major causes of poverty and inequality around the world. Without effective states working with active and involved citizens, there is little chance for the growth that is needed to abolish global poverty."

Adjustments Appropriation: 2015/16

Honourable Speaker, alongside the MTBPS, I am tabling the Adjustments Appropriation for 2015/16 today.

The salary adjustment of R1.2 billion for national departments and R3.8 billion for provinces is the main revision to the expenditure estimates for this year.

Other significant adjustments are as follows:

- R720 million for the Department of International Relations and Cooperation to compensate for the depreciation of the rand;
- R1.2 billion in spending financed out of monies paid into the National Revenue Fund from departmental activities;
- R1.6 billion in rollovers from unspent balances in 2014/15, including delayed payments to municipalities which had unresolved utility arrears;
- R1.1 billion in additional transfers of skills levy revenue to sector education and training authorities and the National Skills Fund.

Details are provided in the Adjusted Estimates of National Expenditure.

Two substantial allocations that were not provided for in the main Budget in February are dealt with in special appropriations. The first is the R23 billion allocation to Eskom, already enacted by the House. The second is a R2 billion allocation for the New Development Bank. These have been financed through the sale of Government's shareholding in Vodacom.

After taking into account revised revenue estimates, the expenditure adjustments and projected savings, the main budget deficit for 2015/16 is R176.3 billion. When taking into account the balances of social security funds, public entities and provinces, the projected consolidated budget deficit is 3.8 per cent of GDP, which is slightly less than the February estimate.

Supply chain management reform

In the February Budget speech, I emphasized the urgent need for improved efficiencies and effectiveness in public procurement. I indicated that the modernisation of supply chain management would target better use of technology.

Since then, much has been achieved:

- Government's *eTender* portal has been established, providing a single point of entry to business opportunities with government. This enhances transparency and reduces the time and cost of accessing tender documents.
- A Central Supplier Database is operational, easing the administrative burden for business and government alike. More than 20 000 suppliers have registered and a total of 9 500 have been verified since 1 September 2015. I urge suppliers to register before 31 March 2016. The database provides information on commodity suppliers by locality, right down to municipal ward level.
- The transversal contract for Learner Teacher Support Material has been completed. The highest contract price is for Grade R stationery at R115, inclusive of packaging and delivery. The cost for other grades is below R100.
- This month, we launched a buying site for high volume–low value items, similar in design to commercial e-commerce sites. Supply Chain Management practitioners can now purchase routine items through the web, at *www.gCommerce.gov.za*.
- A consolidated Procurement Bill is being developed to rationalise the more-than 80 legal instruments, guidelines and instruction notes that currently apply.
- A framework has been developed to standardise public procurement reporting, supported by a training programme for responsible officials.

Further enhancements that support SMMEs in the area of electronic bids, quotations and technologies will be implemented in 2016/17. Tender documents will be made user-friendly and easy to comprehend. The number of documents needed for a tender will be reduced and they will be customised to reflect the diversity of procurement processes. Buying a filing cabinet is different from hiring an advisor, or building a school, yet our present systems do not reflect these differences adequately.

Public procurement is big business. The South African public sector spends over R500 billion a year on the procurement of goods and services. Making better use of technology is important, but it is not enough. Reform of supply chain management will remain a central priority, to generate short and medium term savings, but more importantly to bring value for money, and to combat corruption.

Implementation of cost containment measures

In December 2013, the National Treasury issued an Instruction on cost containment measures relating to consultants, travel and subsistence, entertainment, catering and events.

We are now in a position to report on the impact of this reform. Across all national and provincial departments, in the first year, a 3 per cent decrease was achieved in spending on consultants, a 6 per cent decrease in travel and subsistence and a 47 per cent decrease in catering, entertainment and events expenditure.

Preliminary budget data indicate that there will be further reductions in these categories of spending over the MTEF period, contributing both to value for money and improved public service delivery.

We recognise that there is not yet full compliance with these measures. The Treasury is currently revising the Cost Containment Instruction to review thresholds and clarify its implementation, especially on expenditure related to conferences.

Financial sector reform and promoting investment

Honourable Members, improving the quality of financial services is a key element in our strategy for inclusive growth. Weaknesses in financial supervision played a central role in the severity of the 2008 recession and its aftermath.

The Bill to give effect to the Twin Peaks regulatory system has now been certified by the State Law Advisors, and I will table it next week. We have engaged with the industry and other stakeholders on the draft framework for market conduct, to ensure that customers of the financial sector are treated fairly, and that charges are reduced and made more transparent. I also propose to table the Insurance Bill before the end of the year.

We have made progress in promoting savings by households, through the introduction this year of tax-free savings products. In collaboration with Minister Dlamini and Minister Oliphant, work on social security reform proposals is at an advanced stage, to accompany retirement reform. I need to emphasise the importance of providing suitable vehicles for preservation of savings and conversion into income in retirement, alongside appropriate death and disability benefits. We are engaging with labour to ensure that members of provident funds enjoy the full benefit of tax deductions for savings plans that provide an assured income in retirement. I hope that these proposals will be prioritised for discussion in NEDLAC over the period ahead.

In addition to promoting domestic savings, South Africa needs to attract substantial flows of foreign funding to ensure that investment growth can be financed. It is clearly vital that we maintain a framework of policies and programmes consistent with this requirement.

Under your leadership, Mister President, and guided by our newly appointed National Planning Commission, we seek to simplify and streamline regulatory procedures for investment and ensure both policy coherence and encouragement of long-term investment and international partnerships. The Treasury’s work on modernising the management of capital flows, and encouraging companies to locate in South Africa as a gateway to the rest of Africa, supports this aim.

Without economic growth, revenue will not increase. Without revenue growth, expenditure cannot increase.

Conclusion

Honourable Speaker, it is apparent that slower growth and volatility will remain features of the world economy for some time to come.

In the framework set out in the 2015 Medium Term Budget Policy Statement, Government has adapted to this turbulent environment, through measures to maintain the health of the public finances and support the social and economic transformation South Africa needs.

- To strengthen economic performance, our commitment is to bring policy coherence and certainty where it is lacking; to give greater impetus to infrastructure investment and to address impediments that hold back enterprise development, employment and innovation.
- To build the energy capacity, water and transport networks and communication systems we need, we are expanding investments by state-owned companies and the private sector, alongside departmental and municipal initiatives.
- To ensure that public debt remains affordable, the public expenditure ceiling is maintained while protecting our flagship social and economic programmes.
- To improve living standards and accelerate social development, we are working with municipalities to strengthen planning and concentrate investment in urban hubs and economic growth zones. More dynamic cities, new businesses, trade opportunities and better transport systems also mean stronger linkages with smaller towns and market opportunities for agriculture and rural enterprises.
- To enhance state capacity and the quality and integrity of governance, our financial management and procurement reforms will be reinforced, while stepping up public sector training and institutional renewal.
- To unite South Africans behind more rapid implementation of the National Development Plan, we are working with the business sector, organised labour and social stakeholders to maintain a stable labour relations environment, improve confidence and promote broad-based development.

In conclusion, I wish to thank President Zuma and Deputy President Ramaphosa for their guidance and leadership, and all Cabinet colleagues for their understanding of the challenges we confront.

The Ministers' Committee on the Budget has energetically engaged with the issues. Deputy Minister Jonas has been cheerful even in the toughest discussions, and the MECs for Finance share diligently in the work of overseeing our public finances.

Special thanks also to Auditor-General Kimi Makwetu, SARS Commissioner Tom Moyane, Governor Lesetja Kganyago at the Reserve Bank, the boards and executive heads of our development finance institutions and the Financial and Fiscal Commission and Financial Services Board.

I greatly value the support of NEDLAC and its constituency representatives, and the chairs of the Standing and Select Committees on Finance and Appropriations, Honourable Yunus Carrim, Charel de Beer, Paul Mashatile and Seiso Mohai.

I am indebted to Director-General Lungisa Fuzile and the staff of the National Treasury and the Ministry for their tireless efforts.

The support of my family is an incalculable blessing.

Mister President, we are pursuing a new growth path to expand participation and adapt to the changing realities of the global landscape. As in the past, though times are tough, we can create a better future, working together. Within an affordable medium term expenditure framework, we will build a more prosperous and equal South Africa – sustaining progress, even in a low-growth world.

As we achieve more rapid growth, our revenue outlook will improve. As revenue increases, our expenditure on public service delivery will grow.

I hereby table for consideration by the House:

- The Medium Term Budget Policy Statement,
- The Adjusted Estimates of National Expenditure,
- The Adjustments Appropriation Bill, and
- The Division of Revenue Amendment Bill.

I thank you.