**UNREVISED HANSARD**

# NATIONAL ASSEMBLY WEDNESDAY, 22 FEBRUARY 2023

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# WEDNESDAY, 22 FEBRUARY 2023

***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 prayer or meditation.

# APPROPRIATI0N BILL

(Introduction)

# DIVISION OF REVENUE BILL

(Tabling)

# SECOND ADJUSTMENTS APPROPRIATION (2022-23 FINANCIAL YEAR) BILL

(Introduction)

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# ESKOM DEBT RELIEF BILL

(Introduction)

The MINISTER OF FINANCE: Madam Speaker Nosiviwe Mapisa- Nqakula, His Excellency the President, Mr Cyril Ramaphosa, His Excellency the Deputy President, Mr David Mabuza, Cabinet colleagues, members of the executive committee for finance, the Governor of the SA Reserve Bank, the Commissioner of the SA Revenue Service, Sars, deputy president of the governing party hon Mashatile, leaders of all political parties and fellow South Africans:

# INTRODUCTION

I am honoured to table the following documents before this House:

|  |  |  |
| --- | --- | --- |
| * The | 2023 | Division of Revenue Bill; |
| * The | 2023 | Appropriation Bill; |

* The Estimates of National Expenditure;
* The 2023 Budget Review;
* The Second Adjustments Appropriation Bill;

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* The Eskom Debt Relief Bill; and
* The Budget Speech.

We are tabling the 2023 Budget in a difficult domestic and global economic environment. The global recovery is slowing. Domestically, load shedding has become more persistent and prolonged, impacting on service delivery and threatening the survival of many businesses. This is compounded by disruptions to freight and logistics networks. Households are under pressure from the rising cost of living and unemployment remains stubbornly high. We are navigating this difficult environment with policies that support faster growth and address fiscal risks. Our pursuit of higher growth remains anchored on three pillars:

Firstly, we are ensuring a stable macroeconomic environment to create a conducive environment for savings, investment and growth;

Secondly, we are implementing growth-enhancing reforms in key sectors, particularly in energy and transport; and

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Thirdly, we are strengthening the capacity of the state to deliver quality public services, invest in infrastructure, and fight crime and corruption.

In this Budget, we are allocating additional resources towards these endeavours without compromising the sustainability of public finances.

# ECONOMIC OUTLOOK

## Global Outlook

Since the 2022 Budget, global growth estimates for 2023 have been revised downward. The International Monetary Fund, IMF, projects global growth to slow from an estimated 3,4% in 2022 to 2,9% in 2023. Global economic risks remain high, including those related to the ongoing war in Ukraine, and could impede growth if they materialise.

The reopening of the Chinese economy, however, may offer some reprieve by supporting a stronger rebound in global trade and demand.

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**Domestic Outlook**

South Africa’s economy grew by an estimated 2,5% in 2022. This is an upward revision from the 1,9% projection in the

2022 Medium-Term Budget Policy Statement, MTBPS, reflecting a better than expected outcome in the third quarter of 2022.

At R4,6 trillion, the size of the economy in 2022 was far bigger than the pre-pandemic levels in real terms. This is evidence of a robust economic recovery, even in the face of lingering COVID-19 scarring.

However, the medium-term growth outlook has deteriorated. The real gross domestic product, GDP, growth is projected to average 1,4% from 2023 to 2025, compared with 1,6% estimated in October.

## Fiscal Outlook

In these conditions, government must maintain a prudent fiscal stance. The fiscal consolidation strategy we adopted several years ago has, firstly, restrained growth mainly in consumption expenditure; and secondly, allowed us to use part of higher than expected revenues to reduce the deficit.

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As a result, we are bringing the fiscal deficit down without resorting to tax increases or further cuts in the social wage and infrastructure. [Applause.] A primary fiscal surplus will be achieved in the current financial year and this will be maintained over the medium term. This is a critical policy stance.

In addition, we must consider the consolidated position, which includes debt service costs. In this regard, the consolidated fiscal deficit is projected at 4,2% of GDP for 2022-23 and this will reach 3,2% in 2025-26. These figures include the impact of the partial takeover of Eskom’s debt, which I will elaborate on later.

Mainly due to the Eskom debt relief, government debt will stabilise at a higher level of 73,6% of GDP in 2025-26. This is three years later than anticipated in the 2022 MTBPS.

In general, government debt is high. The gross debt stock is projected to increase from R4,73 trillion in 2022-23 to

R5,84 trillion in 2025-26. And, because debt is high, our debt service costs are also high.

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Debt service costs are projected to average R366,8 billion annually over the medium term, reaching R397,1 billion in 2025-26. These are resources that could otherwise be used to address pressing social needs or to invest in our future.

There are risks to the fiscal outlook. These include a worsening of the economic outlook, a further weakening of the finances of state-owned companies, SOCs, and a possible unaffordable Public Service wage agreement. If these risks materialise, they will require us to make difficult budget trade-offs. For these reasons, we must continue exercising fiscal restraint.

Accordingly, government’s noninterest spending will be kept below the level of revenue into the future and we will continue targeting the stabilisation of debt.

# SUPPORTING ECONOMIC GROWTH

Eradicating poverty, inequality and unemployment is as urgent, if not more so, as it was at the dawn of our democracy nearly

30 years ago. A growing economy is key to achieving this

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objective. Implementing growth-enhancing reforms is a crucial element of our growth strategy.

## Implementing growth enhancing reforms

To fast-track the implementation of these reforms, we initiated Operation Vulindlela, a joint initiative of the Presidency and National Treasury to accelerate the implementation of structural reforms by fostering collaboration and co-ordination across the government just over two years ago. Since its inception, Operation Vulindlela has made progress in fast-tracking reforms in the priority areas of electricity, water, telecommunications, transport and immigration.

Regarding water, the backlog of water licence applications has been cleared and new licences are now being issued within

90 days. Later this year we will table a law to establish an infrastructure agency to leverage the assets in the water sector for increased investment in water resource infrastructure.

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Regarding digital telecommunications, we will soon switch off the analogue signal and finalise migration to the digital signal. This will unlock the benefits of the spectrum auction and unleash renewed investment in the sector. We are introducing new regulations to enable the accelerated roll-out of telecommunications infrastructure. We are clearing the backlog in work visa applications and are implementing the recommendations of the skilled immigration review. Despite these gains, the challenges in electricity and logistics threaten to undermine the reform agenda.

## Energy and Eskom

The lack of reliable electricity supply is the biggest economic constraint. Record levels of load shedding were experienced in 2022. I am told there were 207 days of load shedding compared to 75 days in 2021.

In response, we are acting decisively to bring additional capacity onto the grid. We are also working to transform the electricity sector to achieve energy security in the long term. As part of this, during the MTBPS we announced that

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government will take over a portion of Eskom’s debt. We are doing this for two reasons:

Firstly, doing so will ease pressure on the company’s balance sheet, enabling it to invest in transmission and distribution infrastructure. It will also allow Eskom to conduct the maintenance required to improve the availability of electricity; and

Secondly, R337 billion of Eskom’s debt is already government guaranteed. Explicitly taking on this debt will reduce fiscal risk and enhance long-term fiscal sustainability.

## Details of the Eskom Debt Relief

We are proposing a total debt relief arrangement of

R254 billion for Eskom. This consists of two components. One is R184 billion. This represents Eskom’s full debt settlement requirement in three tranches over the medium term. Second is a direct takeover of up to R70 billion of Eskom’s loan portion in 2025-26.

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Due to the structure of the debt relief, Eskom will not need further borrowing during this period. Government will finance the arrangement through the R66 billion baseline provision announced in the 2019 Budget and R118 billion in additional borrowing over the next three years.

## Conditions

Hon members, the arrangement is accompanied by strict conditions to safeguard public funds. These conditions include, amongst others:

* Requiring Eskom to prioritise capital expenditure in transmission and distribution during the debt relief period;
* For the company to focus on maintenance of the existing generation fleet to improve availability of electricity;
* That the debt relief be used to settle debt and interest payments only; and

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* That Eskom implement the recommendations emanating from an independent assessment of its operations, which has been commissioned by the National Treasury.

Details of the debt relief and the reasoning behind these conditions are set out in full in the online annexure, which is called W3.

# MUNICIPAL DEBT

At the end of December 2022, municipalities owed Eskom R56,3 billion, and the debt is rising. Undertaking a debt relief of this magnitude for Eskom without addressing this particular risk would be counterproductive. We are working with Eskom to provide a solution to this problem, wherein

Eskom will provide incentivised relief to municipalities whose debt is unaffordable. However, the relief will come with conditions. And, to avoid a repeat of debt build-up over time, the relief will attach measures, including the installation of prepaid meters, to correct the underlying behaviour of nonpayment ... [Applause.] ... and operational practices in these municipalities.

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Eskom’s long-term financial viability depends on its customers paying their dues. National Treasury will publish details for accessing the debt relief in a circular in March 2023.

Implementation will start from 1 April.

More generally, the culture of nonpayment**,** not only by municipalities but by all organs of state and individual household customers, is concerning. Such behaviour undermines and cripples our institutions and makes it impossible for them to deliver services.

To change this, the National Treasury is exploring ways to encourage all to improve their behaviour and do the right thing.

## Energy Fiscal Support Package

The energy and electricity sector, here at home and globally, is undergoing a rapid process of systematic change. Green technologies are becoming cheaper and the deployment of low- carbon solutions is accelerating.

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We recognise that we have a role to play in encouraging adaptation and mitigation. I am pleased to announce two tax measures to encourage businesses and individuals to invest in renewable energy and increase electricity generation.

From 1 March 2023, businesses will be able to reduce their taxable income by 125% of the cost of investment in renewables. There will be no thresholds on the size of the projects that qualify and the incentive will be available for two years to stimulate investment in the short term. [Applause.]

As announced by the President, we will also introduce a new tax incentive for individuals to install rooftop solar panels to reduce pressure on the grid and help ease load shedding.

Individuals who install rooftop solar panels from 1 March 2023 will be able to claim a rebate of 25% of the cost of the panels ... [Applause.] ... up to a maximum of R15 000. This can be used to reduce their tax liability in the 2023-24 tax year. This incentive will be available for one year.

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Changes to the Bounce Back loan guarantee scheme are also proposed to incentivise renewable energy, rooftop solar and address energy-related constraints experienced by small and medium enterprises. Government will guarantee solar-related loans for small and medium enterprises on a 20% first-loss basis. National Treasury will launch the energy Bounce Back Scheme on 1 April.

## Climate Change

More broadly, part of addressing the persistent electricity supply shortage must involve implementing a just transition to a low-carbon economy. Climate change poses considerable risks and constraints to sustainable economic growth in South Africa.

We are among the most water-scarce countries in the world and recent events have shown that extreme weather events such as floods, heatwaves and drought are occurring more often, and they are becoming more intense and worse. Our Just Energy Transition, JET, plan addresses these urgent climate changes. It aims to significantly lower the emission of greenhouse gasses and harnesses investments in new energy technologies,

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electric vehicles and energy-efficient appliances. Most importantly, it ensures that communities tied to high-emitting energy industries are not left behind and are provided with new skills, and new economic and employment opportunities.

Through the JET Investment Plan launched by the President in 2022 at Cop 27, the country will make significant investments in our economy over the next five years, supported by a coherent industrial policy to enable innovation and economic diversification. The International Partners Group of developed economies in 2021 pledged US$8,5 billion to support South Africa’s transition. This will go a long way.

South Africa, through its role in the Group of Twenty, G20, the IMF and the World Bank, has stressed that developed nations could do more to support the energy transition of developing nations, especially by ensuring that the financial support includes a much larger grant funding component.

**Infrastructure investment**

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Infrastructure investment lays the foundation for inclusive and sustainable growth. They address supply-side constraints and expand access to basic services.

Overall, the public sector is projected to spend R903 billion on infrastructure over the medium term. The largest portion of this, around R448 billion, will be spent by SOCs, public entities and through public-private investment partnerships.

These spending plans are mostly for strategic projects in the following sectors:

* Transport and logistics will spend an estimated R351,1 billion, including for the SA National Roads Agency, Sanral, to improve the road infrastructure network; and
* Water and Sanitation plans to spend R132,5 billion over the next three years, mainly by the water boards. As we undertake infrastructure projects, we need to crack down on criminality in the construction sector. The extortion and intimidation of lawfully appointed contractors and the workers they employ cannot be tolerated.

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Allow me to highlight a few of the shovel-ready projects approved through the Budget Facility for Infrastructure**:**

* Construction of the 488-bed Limpopo Central Hospital will finally begin in March this year;
* Phase 2 of the Welisizwe Rural Bridges programme breaks ground in April this year. It plans to install 96 bridges annually to enable rural communities in the Eastern Cape, KwaZulu Natal, Mpumalanga, Limpopo, Free State and North West to access schools and workplaces safely. [Applause.] An amount of R308 billion is allocated for the programme over the medium term. The Sol Plaatje Municipality will repair aspects of the Riverton Water Supply Scheme, which is the only water source and supply system to Kimberly;
* The construction of the enabling bulk infrastructure such as roads and water components for the Lufhereng Mixed-Use Development in Gauteng begins in June 2023. It will support the development of 31 000 mixed housing units;

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* Access roads for the Mzimvubu Water Project are nearing completion. The construction of the Ntabelanga Dam will begin this year. Additional funding during the next financial year may be required to ramp up implementation. Site establishment for the Clanwilliam Dam project in the Western Cape is completed. Early construction work that includes surface preparation, is underway.

Our focus is not only on building new infrastructure but also on maintaining existing infrastructure. We do this to ensure that it lasts long and performs according to the required standard. At the same time, we are looking at initiatives to leverage private-sector resources in public infrastructure delivery. This is to strengthen state capacity to expand infrastructure delivery and to catalyse private finances. The initiatives include:

* Funding the development of a continuous, investible and transparent pipeline of projects and programmes;
* Fast-tracking the implementation of the public-private partnerships regulatory framework recommendations;

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* Pilot the implementation of conditional grant pledging that we announced during the MTBPS. It is aimed at ensuring that the roll-out of infrastructure is not constrained by the availability of funds, particularly if there is capacity to deliver. This is what some of the provinces are calling front-loading. The Division of Revenue Bill is accordingly amended to give effect to that proposal.

Interventions in supporting growth are critical to the health and sustainability of the economy. They need to be complemented by a policy environment that promotes the performance of productive sectors in an integrated way. This will require difficult but necessary trade-offs to ensure that the appropriate support is properly targeted at the correct products and value chains.

# REVENUE AND TAX PROPOSALS

Let me now turn to the revenue outlook and tax proposals. Yes

... [Laughter.] ... I know when I come to this term it gets people worried. Tax revenue collections for 2022-23 are expected to total R1,69 trillion. This exceeds the 2022 Budget

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estimate by R93,7 billion ... [Applause.] ... and the

2022 MTBPS estimate by R10,3 billion. Over the medium term, revenue projections are R6 billion higher than the estimates of the 2022 MTBPS. As a result, there are no major tax proposals in this Budget. [Applause.] There are no major tax proposals in this Budget. I can see everybody is happy.

The improvement in revenue is due to higher collection in corporate and personal income taxes and in customs duties. This is partially offset by the lower value-added tax estimates. Our country is reaping the benefits of a more efficient and effective tax administration. [Applause.] This formulation is not mine. It is plagiarism. It belongs to the commissioner. [Applause.] ... always emphasise when we talk.

Now, we asked for tips. Nilesh Solanki from Gauteng was one of nearly 2 000 South Africans who submitted a tip for the

2023 Budget Tips competition. He asked that we consider no increase in tax rates. Nilesh, you will be happy to know that, instead of increasing, government will provide a tax relief of R13 billion for 2023-24.

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In addition to the tax measures I have announced to promote investments in renewable energy, the general fuel levy and the Road Accident Fund, RAF, levy will not be increased this year. [Applause.]

Hey man, be generous. You can’t clap again? [Applause.]

To ease the impact of the electricity crisis on food prices, the refund on the RAF levy for diesel used in the manufacturing process, such as for generators, will be extended to manufacturers of foodstuffs. This will take place from 1 April 2023 for two years. [Applause.]

The personal income tax brackets will be adjusted for inflation, which will increase the tax free threshold. When I say it is adjusted for inflation, it doesn’t mean I’m increasing it. It means I am relieving people. I’m moving you higher up. The tax free threshold was R95 000 and now I’m increasing it. So, even if you are ... [Inaudible.] ...

R91 000 ... you are now R95 000, you will start getting taxed.

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Medical tax credits will also be increased by inflation to R364 per month for the first two members and to R246 per month for additional members.

The retirement tax tables for lump sums withdrawn before retirement and for lump sums withdrawn at retirement will be adjusted upwards by 10%. This also benefits ... This means that the tax free amount that can be withdrawn at retirement increases to R550 000.

The brackets of the transfer duty table will also be increased by 10%, allowing for properties below R1,1 million to avoid any transfer duty payments.

The research and development tax incentive will be extended for 10 years, and will be refined to make it simpler and more effective.

The urban development zone tax incentive will also be extended by two years to allow for the review of the incentive to be completed.

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After further consultations, government intends to publish revised draft legislation on the two-pot retirement system. This will include details on the amount that could be immediately available when the system is implemented from

1 March 2024. Any withdrawals from the accessible savings pot will be taxed as income in the year of withdrawal.

After a review and consultations last year, and taking into account the impact of the Upstream Petroleum Resources Development Bill, the minimum royalty rate for oil and gas companies will be increased to 2%. The maximum rate of

5% remains unchanged.

Due to the difficult operating environment for the sugar industry due to the impact of flooding and social unrest, the health promotion levy will remain unchanged for the following two fiscal years to enable the industry to diversify or restructure.

Government proposes an increase of 4,9% in the excise duties on alcohol and tobacco in line with expected inflation. This means that:

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* + A 340 millilitre can of beer increases by 10 cents;
  + A 750 millilitre bottle of wine goes up by 18 cents;
  + A 750 millilitre bottle of spirits ...

*IsiXhosa*:

... kwekhu, sonzakala ... [Kwahlekwa.]

*English*:

... will increase by R3.90;

There’s no sympathy for smokers. No sympathy for smokers.

* + A 23 gram cigar ...

*IsiXhosa:*

... batsho bakhala ...

*English*:

... this side ... will increase by R5.47; and

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* + on a pack of 20 cigarettes the duty rises by 98 cents.

With regard to illicit trade, over the past three years Sars has taken several steps to enhance its effectiveness in combatting illicit trade, particularly in tobacco. To this end, Sars has completed 2 316 seizures of cigarette and tobacco products to the value of R598,8 million. An additional R18 billion worth of schedules and assessments have been raised, targeting syndicated tobacco-related crimes.

Furthermore, Sars has collected more than R1,2 billion in revenue and handed over 92 cases for criminal proceedings to the National Prosecuting Authority, NPA, which resulted in successful convictions related to tobacco smuggling syndicates.

# EXPENDITURE PROPOSALS

Let me come to the juicy part. The 2023 Budget proposals reflect the government’s priorities by making targeted allocations for specific programmes. Over the medium term, more than 60% of noninterest spending goes to the social wage, while spending on buildings and other fixed structures such as

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roads and dams will increase from R62 billion in the current year to R104 billion in the medium term. [Applause.]

We are increasing allocations to key frontline departments above existing baselines, moving toward a change in the composition of spending from consumption to investment and maintaining a large social security safety net while striving for sustainable levels of debt. This is not an austerity Budget. It is a Budget that makes tough trade-offs in the interests of the country’s short and long-term prosperity.

The 2023 Budget allocates additional funding totalling R227 billion over the medium term. There are several

priorities that will be funded through this additional money. R66 billion is allocated to Social Development over the medium term, with R36 billion going to the COVID-related, what do you call it, social relief of distress grant, SRD.

*IsiXhosa*:

ETarkastad bathi yiRamaphosa.

*English*:

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A total of R36 billion is for the SRD. A total of R30 billion is used for inflation-linked increases for ...

*IsiXhosa*:

... oogogo.

*English*:

* The old age and disability grant increases by R90 on

1 April and a further R10 by 1 October. [Applause.] The result is a total increase to R2 090 by the end of October that they will be earning;

* The child support grant rises from R480 to R510 from

1 October, while the foster care grant increases from R1 070 to R1 130 over the same period;

* Amounts of R23 billion and R22 billion will be allocated to Health and Basic Education respectively to cover the shortfall in compensation budgets and to improve services; and

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* An amount of R8 billion is allocated for basic services through the Local Government Equitable Share;

We have allocated R14 billion over the medium term to fight crime and corruption, with the following specific allocations:

* The SA Police Service is allocated R7,8 billion to appoint

5 000 police trainees per year over the next three years, which means a total of 15 000;

* The NPA receives R1,3 billion to support the implementation of the recommendations of the state capture commission and the Financial Action Task Force, FATF;
* The Financial Intelligence Centre is allocated an additional R265,3 million to tackle organised and financial crime;
* The Special Investigating Unit is allocated R100 million to initiate civil litigation in the special tribunal flowing from proclamations linked to the recommendations of the state capture commission.

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Discussions are taking place on funding for other departments, including Parliament which needs to implement these recommendations. I am aware that Parliament has also revised its budget ... [Inaudible.] ... that we must take into account the implementation of the state capture commission ... That matter is being looked at.

* The Department of Defence is allocated an additional R3,1 billion to enhance security on South Africa’s borders. [Applause.]

Finally, in light of what I’ve said about the work that Sars has to do, an injection into the budget of Sars is proposed. In addition to a direct allocation for capital and ICT projects, provisional allocations are set aside to improve the revenue raising capabilities of Sars.

I am also tabling the Second Adjustments Appropriation Bill for the 2022-23 fiscal year. The Bill proposes an allocation of R45,6 billion to provide for the carry-through costs of the 2022-23 Public Service wage increase.

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An amount of R1 billion is allocated to SA Airways to assist the carrier with the business rescue process closure.

The SA Post Office is allocated R2,4 billion.

The allocations to SOCs will be accompanied by strict conditions to ensure sustainability, accountability and transparency. If these conditions are not met, the unfortunate thing is that funds will not flow.

# PUBLIC SECTOR WAGES

As I have indicated, the Budget provides for the carry-through costs of the 2022-23 wage increase. In addition, the Budget includes pay progression, a housing allowance and other benefits for civil servants.

The Budget also provides additional funding for safety and security, education and health. In health, the funds are to hire new staff, address shortfalls in compensation budgets, retain additional health workers appointed during the pandemic, as well as to clear the backlog in health services.

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As for the wage negotiations that have just commenced, the Budget does not pre-empt the outcomes. It was an agreement between ourselves and the unions in the summit in March last year, where they said that if we put up a number before the negotiations we are pre-empting the negotiation process. Our ideal view was that we should have concluded last year’s negotiations by June so that by July last year we would have commenced with 2023. Unfortunately, things did not work out that way. Nevertheless, these future wage negotiations must strike a balance between fair pay, fiscal sustainability and the need for additional staff in frontline services.

An unbudgeted wage settlement will require very significant trade-offs in government spending because the wage bill consumes a significant portion of the Budget. It will mean that funds must be clawed back in other ways. Mainly, this will mean restricting the ability of departments and entities to fill noncritical posts. It will also mean achieving cost savings from the major rationalisation of state entities and programmes.

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As indicated by the President in the state of the nation address, National Treasury has already identified where large savings can be achieved. In this regard, during the upcoming financial year, National Treasury will work with the Presidency on concrete proposals to achieve savings by rationalising or closing public entities. Recommendations will be made to the President and Cabinet, and should form part of the next Budget.

# DISASTER RESPONSE

In relation to the recent floods and the national disaster declared in various provinces ... Let me just pause.

*IsiXhosa*:

Bathi ke abantu pha kwaNondyebo [Treasury] ndiphuma ecaleni.

*English*:

Let me do that ... of ramping. It’s quite important to explain it here because there is a failure to understand and therefore a failure to respond. There are two components to a disaster. The first one is what is called emergency relief. What is emergency relief? Some people will need some food here; we

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need shelter there; we need medical attention there. That thing needs an immediate response. Last year we had R1 billion in four grants. That R1 billion was depleted but during the adjustment estimates we replenished that emergency grant and we now have R695 million in that emergency grant. What that means is that the people who are sitting in homes and other things must access this money so that they get temporary accommodation, and so that they get food and get ... [Inaudible.] That’s the first part.

The second part of a disaster is what is called recovery and repair. To do that you need more skilled people that myself who can go onto a bridge and assess the cost to build that bridge. Then you submit a proper budget and that is factored into the normal Budget process. That is why we would appeal to the current provinces facing disaster. The money is available for immediate emergency relief. We must work together to make sure that communities are attended to speedily. A further

R1 billion will be available next year for emergency relief.

As I have indicated, emergency response also requires provinces and municipalities to reprioritise existing

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allocations to cater for the immediate needs affecting communities, such as temporary shelter. I’ve done that. I’ve made reference ...

The contingency reserve will also be used to fund emergency responses, including ... as undertaken by the Defence Force. As it pertains to recovery and repair — I’ve also explained that — which relates to longer term rehabilitation, that will be factored into the normal Budget process. So, that is what we appeal should be done. Funding for this rehabilitation will also be done through the normal process. Move! [Laughter.]

*IsiXhosa*:

Uyandilibazisa.

*English*:

# FINANCIAL ACTION TASK FORCE

South Africa has been a voluntary member of FATF since 2003. The FATF sets global standards to combat money laundering and the financing of terrorism across national borders.

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In 2021, FATF published its mutual evaluation report highlighting vulnerabilities in the country’s anti-money laundering system. We have since made substantial progress to address these weaknesses.

Two laws have been enacted to address the technical deficiencies in the legislative framework, namely the General Laws Amendment Act of 2022 and the Protection of Constitutional Democracy Against Terrorist and Related Activities Amendment Act. At this stage I must pause to thank hon members for the speed with which these pieces of legislation were processed. We thank all hon members for the effort they have made with regard to that. Were it not for that speed we would probably still be struggling in arguing our case in FATF. The laws address 15 of the 20 legislative deficiencies identified by FATF. The remaining five deficiencies will be addressed through regulations and practices that do not require legislation. We recognise the need to be more effective in implementing our laws, particularly in fighting organised and sophisticated crimes.

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Addressing the FATF issues is part of the broader fight against corruption, crime, state capture and the deliberate weakening of the institutions of law and order in our country.

Later this week, the FATF plenary will make its decision on whether or not to put South Africa under increased monitoring, otherwise known as greylisting. We should be prepared for that possibility.

# DIVISION OF REVENUE

The 2023 Budget increases allocations for all spheres of government to assist with urgent spending pressures. Relative to the 2022 Budget, direct provincial allocations increase by R92,7 billion, to R2,17 trillion over the medium term. The increase consists of R76,9 billion added to the provincial equitable share and R15,8 billion added to direct conditional grants.

Local government allocations will increase by a total of R14,3 billion, made up of R8,1 billion in the Local Government

Equitable Share and R6,2 billion in direct conditional grants. This takes the total direct allocation to local government to

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R522 billion over the same period. These allocations alleviate some of the financial pressures, particularly in health, education and free basic services where the costs of providing services are rising.

# CONCLUSION

Our economy is facing significant risks. Uncertainty is on the rise. It requires us to do bold things, to put the fear of failure aside and to execute the difficult trade-offs needed to get from where we are now to where we want to be in the future. The measures in this Budget reflect these realities and the need to act boldly.

I am grateful to the President and Deputy President for their support and leadership. Thank you to the Deputy Minister of Finance and the National Treasury team led by the acting director-general. My sincere thanks to the Commissioner of Sars and the Governor of the SA Reserve Bank. Let me also thank my colleagues in the Ministers’ Committee on the Budget and the members of the Budget Council from the provinces who have to share the load of the tough decisions that have to be made. Similarly, to the parliamentary Committee on Finance and

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appropriations**,** I express my sincere appreciation. My gratitude also goes to Neil Bell from the parliamentary bills office. He retires in May this year after 41 years of going the extra mile to support the tabling and passing of the Budget and other legislation in Parliament. [Applause.] Mr Bell, we say, a Bells to you and the thousands of public servants who work behind the scenes to keep our country going. Let me thank each South African for the support ...

*IsiXhosa*:

... kusashiyeke umntu omnye endingekambuleli. Niyayazi ukuba ngubani? NguMamTshawe ...

*English*:

... for the continued support under the difficult circumstances of managing the finances of this ... [Inaudible.] So, thank you very much. That is your Budget, Madam Speaker. {Applause.]

The SPEAKER: Order, hon members. I thank the hon Minister. The papers tabled by the Minister will be referred to the relevant committees. Order! Order, Minister, Chief Whip and the

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President. Order! I request members to stand and wait for the Chair and the mace to leave the Chamber. That concludes the business for the day and the House is adjourned.

The House adjourned at 14:55.