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PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

Budget 3.0 – Pre-Briefing

Economic Context, Fiscal Review, and Parliamentary Process

May 2025

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the Director: Prof Dumisani Jantjies

Contributors**:** Dumisani Jantjies, Mukundi Maphangwa, Seeraj Mohamed, Nelia Orlandi and Lwazikazi Ntinzi

Enquiries: mmaphangwa@parliament.gov.za

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To obtain additional copies of this document, please contact:
Parliamentary Budget Office
4th Floor Parliament Towers
103-107 Plein Street
Parliament of the Republic of South Africa
Tel: +27 021 403 2360
Email: pboinfo@parliament.gov.za

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1 Purpose

The purpose of this Budget 3.0 pre-brief is to provide Members of Parliament (MPs) with the latest information on the global economic outlook and preliminary financial performance of national, provincial, and local governments for the previous financial year. This brief is intended to assist MPs in preparing for the tabling of the new national budget on Wednesday, 21 May 2025.

The brief begins with a snapshot of recent global economic trends, followed by a review of the financial performance across the three spheres of government for the 2024/25 financial year. It also includes a refresher on the budget process, outlines the next steps in the Budget 3.0 process, and concludes with key reflections for Parliament's oversight and decision-making responsibilities.

2 Strategic Framework for the 2025 Budget

Despite 30 years of democracy, South Africa still faces unprecedented social and economic challenges. The economy has not grown at a rate fast enough to create jobs for all those of working age. Too many South Africans are excluded from economic opportunity, and access to education, healthcare and other basic services remains unequal.

The NDP has three main aims for 2030 which is to eliminate poverty, reduce inequality to a Gini coefficient of 0.6, and reduce unemployment to 6 per cent. Employment is a critical enabler to achieving these goals and a target of creating 11 million additional jobs between 2012 and 2030 has been set. Recent reviews have shown that these targets are unlikely to be met by 2030.

The NDP, however, remains South Africa's long-term country plan towards 2030 and is aligned with its international commitments. The MTDP 2024–2029 is the medium-term plan towards the achievement of the NDP, replacing previous Medium-Term Strategic Frameworks (MTSFs). The main objective of the Medium-Term Development Plan (MTDP) 2024–2029 is to strategically guide the work of the 7th Administration to achieve the goals set out in the Statement of Intent of the GNU and the National Development Plan (NDP). Figure1 summarises the 2024-2029 MTDP.

Figure 1: 2024-2029 Medium-Term Development Plan

2024-2029 MTDP	STRATEGIC PRIORITY 1: DRIVE INCLUSIVE GROWTH AND JOB CREATION	Increased employment and work opportunities;
		Accelerated growth of strategic industrial and labour-intensive sectors
		Enabling environment for investment and improved competitiveness through structural reforms
		Increased infrastructure investment, access and efficiency
		Improved energy security and a just energy transition
		Increased trade and investment
		A dynamic science, technology and innovation ecosystem for growth
		Economic transformation and equitable inclusion of women, youth and persons with disabilities for a just society
	STRATEGIC PRIORITY 2: REDUCE POVERTY AND TACKLE THE HIGH COST OF LIVING	Reduced poverty and improved livelihoods
		Improved access to affordable and quality healthcare
		Improved education outcomes and skills
		Skills for the economy
		Social cohesion and nation-building
	STRATEGIC PRIORITY 3: BUILD A CAPABLE, ETHICAL AND DEVELOPMENTAL STATE	Improved service delivery in the local government sphere
		Improved governance and performance of public entities
		An ethical, capable and professional public service
		Mainstreaming of gender, empowerment of youth and persons with disabilities
		Digital transformation across the state
		A reformed, integrated and modernised Criminal Justice System
		Secured cyber space
		Effective border security
		Increased feelings of safety of women and children in communities
		Reduce number of priority offences
		Advance the South African foreign policy for a better world
		Enhanced peace and security in Africa

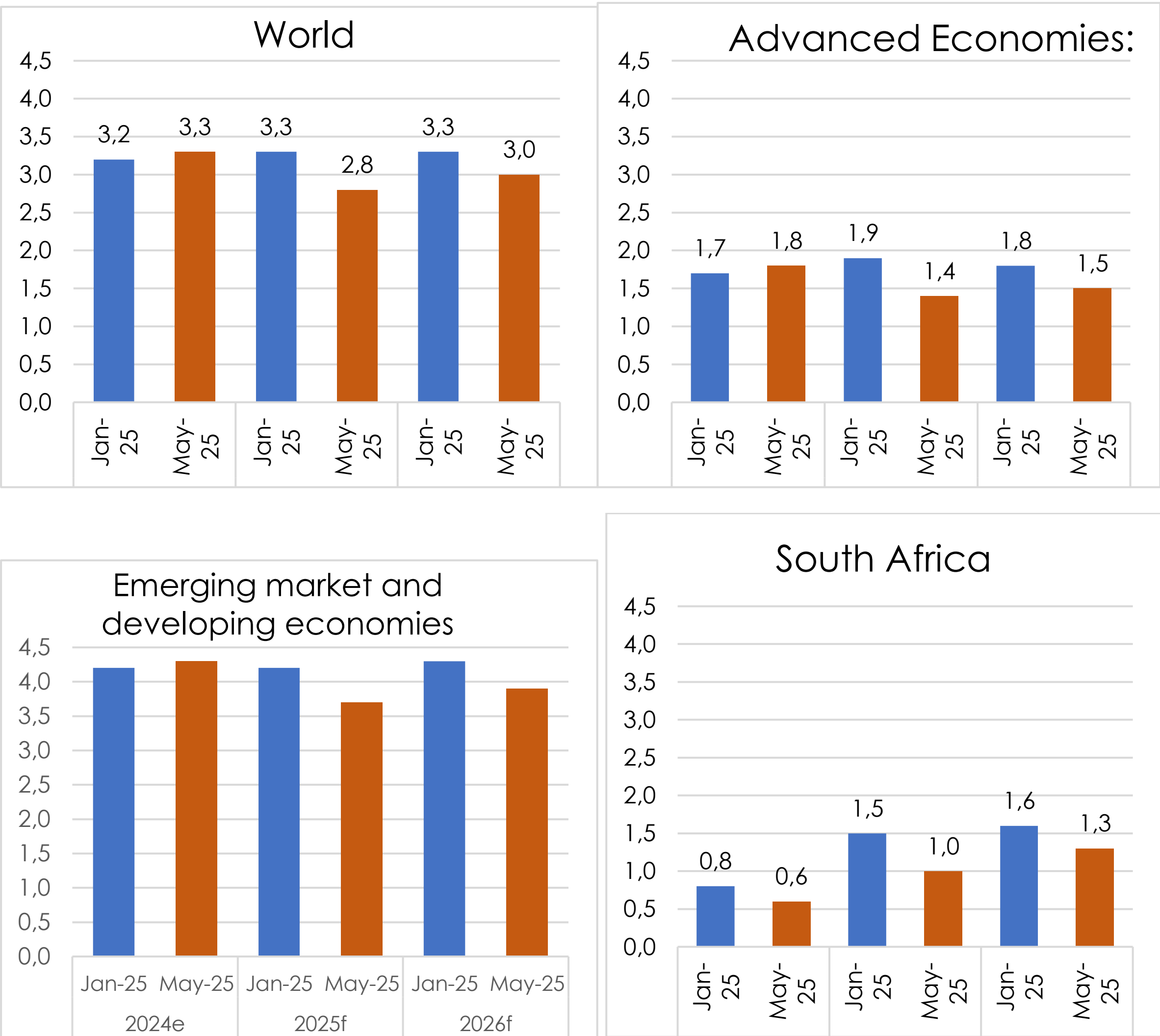
Source: MTDP 2025

The overriding priority is to achieve more rapid, inclusive and sustained economic growth while implementing interventions to address poverty and inequality. These interventions will consider the imperative of fiscal consolidation and the need to carefully prioritise limited resources and improve efficiency to achieve the outcomes identified. The interventions outlined in this plan must be implemented in full to achieve these goals over the next five years.

3 Global and South Africa Economic Outlook

Figure 2 shows the most recent updates to forecasts for economic growth released by the IMF in May 2025 predict lower economic growth for the world, advanced economies and developing and emerging economies than they had in just January 2025.

Figure 1: Change in annual real economic growth forecast in IMF World Economic Outlook forecasts from January 2025 to May 2025 for the world, advanced economies, developing and emerging economies and South Africa (in percentages)



Source: IMF January and May World Economic Outlook data

The most recent updates to forecasts for economic growth released by the IMF in May 2025 predict lower economic growth for the world, advanced economies and developing and emerging economies than they had in just January 2025. Within the developing and emerging economies, their growth forecasts for the African continent as a whole and South Africa are also lower in May 2025 than they were in January 2025. As has been the case for several years, South Africa's growth forecasts for January 2025 and May 2025 were lower than the growth forecasts for the world, advanced economies and developing and emerging economies.

The main reason for the large change in the IMF's growth forecasts were the announcement of tariffs on all countries, with a particularly harsh approach to China, by the Trump administration of the United States of America (USA). US President Donald Trump proclaimed 2 April 2025 as 'Liberation Day' where he announced tariffs on countries across the globe. It was the largest increase in the USA's tariff on many countries since the Smoot-Hawley Act of 1930.

After the announcement of 2 April 2025, Mr Trump announced bilateral trade negotiations with several countries.

The major change (at the time of writing this brief) since the 'Liberation Day' tariffs are reductions in tariffs to many countries and bilateral trade deals, particularly between the USA and China. The USA has reduced its tariffs on China from 145 per cent to 30 per cent and China will reduce its tariffs on the USA from 125 per cent to 10 per cent. The deal was made on 12 May 2025 and would last for 90 days while the USA and China negotiate a longer-term trade deal.

As a result, there is now speculation in the global business media whether the widely expected recession in the USA economy later in 2025, which would be linked to higher tariffs, is likely to occur. Many commentators point out that the level of the USA's tariffs on imports from the rest of the world have increased six-fold even with trade deals and 90-day reductions. The 'Liberation Day' tariff announcements have already had a large impact on businesses in the USA and elsewhere.

There was an initial increase in US imports to preempt the impact of tariffs but later there was a reduction in trade, which was signified by much lower volumes of shipping freight. The Trump administration's approach to unilaterally adjust tariffs has undermined the World Trade Organisation (WTO) and existing trade regulatory practices. These changes have caused uncertainty, and many global businesses have already begun adjusting their business models, value chains and destinations for their products and service. There has been postponement of investment and employment and also job losses. The US Federal Reserve and other central banks have delayed interest rate cuts.

It is clear that the Trump administration's approach to tariffs reflects a much larger change in global geopolitics and economics than trade relations. The largest economy and most powerful country geopolitically and militarily have shifted the terms on which it relates to other countries. It has also changed internal politics where the Trump administration has created increased potential for constitutional crises. It has ignored and in some cases seems to have undermined the legislature and the judiciary. It has threatened institutions of higher learning, the media and even large law firms, when it does not agree with their stances on diversity, equity and inclusion, genocide by the Israeli government and environmental issues. It seems to have turned against the rule of law. Senior members of the Trump administration and key government law enforcement and other agencies, such as the Immigrations and Customs Enforcement (ICE), seem to be undermining individual freedoms and rights and suspended habeous corpus when individuals are arrested.

In international geopolitical relations it has turned against its allies in the North Atlantic Treaty Organisation (NATO) not only with regard to its relationship with Russia and a settlement related to the invasion of the Ukraine but also in terms of the security arrangements that affect member countries. As a result, many European countries, notably the ordoliberal Germany, are breaking from their austerity approach to budgeting to pursue fiscal expansion and increase debt. These expenditure increases are not to improve infrastructure and reduced living conditions of Europeans, which are empirically associated with almost two decades of austerity. These changes are to increase military spending, particularly on arms. At the same time, many developed country governments are following the Trump administration's reductions in aid and other forms of support to developing countries. They have also intensified their anti-migrant activities.

Since the beginning of the Trump administration there has been a sense of urgency to not only change policies but to fundamentally pursue policy changes and changes in the structure of the US government. As a result, there seems to be an attempt to change the role of the state in the USA and its relations with other countries. These changes have implications well beyond measures of economic growth and gross domestic product. In fact, it highlights the veracity of arguments in favour of focusing on measures of wellbeing, such as the Human Development Index, rather than fixating on GDP, which simply measures value-added associated with economic activity that occurs within markets. It also increases the need of policymakers and others to more seriously consider the polycrisis, which is a set of interrelated crises and risks affecting the global economy, including those related to geopolitical and regional conflicts, environmental and climate change, cost of living, stability of financial markets and levels of sovereign debt, possibility of future pandemics and others.

The crises within what has been identified as a polycrisis are all causing reduced economic activity, hardship for millions of households and contraction in global growth and the GDPs of countries. Therefore, changes introduced by the Trump Administration so far in 2025 have to be considered within the context of the polycrisis. Inequality and the consequences for stability and growth have increased within countries, regions and the globe. The turn against efforts to curb climate change and increased support for the use of fossil fuels while supporting and even subsidizing fossil fuels businesses may exacerbate the severity of climate change disasters and their impact, particularly on the poor within countries and on the poorest countries.

Fiscal expansion had much success in reducing unemployment and increasing economic growth after the poor recovery after the global financial crisis of 2008 and the downturn caused by the Covid-19 pandemic. The Trump administration plans to reduce taxes on the wealthy while cutting Medicaid and social security. It is imposing large reductions in government expenditure and reduced capacity in government welfare and regulatory activities. In a very short time, it has turned around the growth and employment benefits of fiscal expansion to help the poor to poorer growth in the first quarter of 2025.

The pursuit of 'America first' policies while undermining the WTO and other global economic arrangements leaves the world without institutions to mediate intensified cutthroat global political and economic relations. South Africa has to consider the actions of the European countries to abandon austerity mindedness. But South Africa should pursue fiscal expansion not to build the military, increase purchase of arms or cut taxes. Instead, fiscal expansion should target reducing unemployment, poverty and inequality. It should target high impact activities that build resilience of households and businesses, particularly small and medium businesses. The government can find efficiency savings but what is needed now given the current global situation is more government spending to support economic growth through targeting increased aggregate demand across the population.

4 Fiscal Review 2024/25

This section provides an overview of key fiscal developments for the 2024/25 financial year, focusing on tax revenue collection, national departmental expenditure, provincial receipts and expenditure trends, as well as municipal operational and capital budgets. The aim is to support Members of Parliament (MPs) in the upcoming Budget 3.0 and subsequent budget review processes by ensuring they are well-informed about budget allocations and spending trends across the national, provincial, and local spheres of government.

4.1 Revenue overview 2024/25

The South African Revenue Service (SARS) has reported a preliminary revenue outcome for 2024/25, collecting a record gross amount of R2.303 trillion. This represents a 6.6 per cent year-on-year increase, surpassing the estimated nominal GDP growth of 5.4 per cent for the same period. Table 1 show that revenue collection amounted to R1.855 trillion, which exceeded the revised estimate of R1.846 trillion by R8.8 billion. This increase is R114 billion more than the R1.741 trillion tax collected in the previous year.

SARS attributes its improved revenue collection to enhanced compliance measures and the integration of advanced technologies, including artificial intelligence and machine learning, to detect and prevent fraud. These efforts contributed to the prevention of R146.7 billion in impermissible refunds during the financial year. Personal Income Tax (PIT) is the leading contributor to tax revenue, with collections amounting to R729.9 billion, reflecting a 12.5 per cent increase from the prior year. The increase is attributed to above-inflation growth in Pay-As-You-Earn (PAYE) contributions, particularly from the finance and community sectors, and the implementation of the two-pot retirement system, which facilitated R12.9 billion in early withdrawals compared to the projected R5 billion.

Table 1 Tax Revenue performance, April-March 2025

Tax Revenue	2024 BR Estimates		2024 Revised estimates		Actual collection as a % of targeted: Apr-Mar 25		Actual collection as a % of targeted: Apr-Mar 24	
	R billion	Y-on-Y % change	R billion	Y-on-Y % change	R billion	Y-on-Y % change	R billion	Y-on-Y % change
Personal Income Tax	738 749	15,4	732 341	12,7	729 911	12,5	648 911	8,1
Value Added Tax	476 749	1,1	459 882	3,3	457 789	2,3	447 556	6,0
Corporate Income Tax	302 702	-9,9	316 411	5,0	318 739	1,8	313 097	-9,2
Fuel Levy	95 771	5,9	83 104	-11,0	85 883	- 6,1	91 508	13,7
Dividend tax	37 240	-6,5	37 717	-4,8	42 973	9,9	39 102	2,9
Custom Duties	76 818	3,5	67 030	4,7	67 338	8,3	62 174	-18,3
Specific Excise Duties	58 184	-1,3	58 547	8,5	59 680	11,5	53 521	-3,0
Skills Dev Levy	24 500	6,4	24 493	7,8	24 448	8,2	22 604	8,2
Ad-valorem	6 847	45,7	6 962	-10,5	6 970	- 5,1	7 347	33,1
Other	45 474	-6,1	59 849	12,3	61 539	11,8	55 049	27,6
Gross Tax Revenue	**1 863 035**	**4,2**	**1 846 335**	**6,6**	**1 855 270**	**6,6**	**1 740 869**	**3,2**

Source: NT Section 32 Reports

Corporate Income Tax (CIT) collections reached R318.7 billion or 1.8 per cent year-on-year increase compared to the same period in the previous financial year. The growth was mainly due to the finance sector, which experienced improved profits, whereas the mining sector continued to contract. The main driver behind the contraction is largely from the downward performance of the mining industry. This is best demonstrated by a contraction in CIT Provisional tax payments from large companies in the mining sector (-28.4%) and the manufacturing sector (-1.6%), which recorded the largest negative trends when compared to the prior financial year 2023/24. The year-on-year contraction is due to a poorer performance from platinum group metals as well as coal commodity prices, largely driven by fluctuations in global demand.

Value-Added Tax (VAT) collections which contributed 24.7 per cent to total revenue, amounted to R457.7 billion, a 2.3 per cent increase from the previous year. This growth can be attributed to factors, such as improved consumer sentiment, lower interest rates, contained inflation, and early pension-fund withdrawals, all of which have bolstered household consumption in the last quarter of 2024.

Customs duties and specific excise duties collections increased to R67.3 billion and R59.7 billion, representing year-on-year growth rates of 8.3 per cent and 11.5 per cent, respectively. However, not all tax categories experienced growth. The fuel levy collections declined by 6.1 per cent to R85.8 billion, down from R91.5 billion in the previous year, due to decreased fuel consumption. Ad-valorem collections declined by 5.1 per cent, year-on-year, collecting R6.9 billion, down from R7.3 billion in the previous year. The decline in ad valorem tax collections is due to decreased imports of luxury goods, an outdated taxation formula, economic and logistical challenges, and policy changes that have narrowed the tax base.

4.2 Expenditure overview 2024/25

In the 2024 Budget Review, consolidated budget expenditure for 2024/25 was revised upwards from R2 130.3 billion to R2 150.2 billion. As shown in Table 2, total preliminary expenditure by vote amounted to R1 110.6 billion (99.2% of the revised budget) by the end of March 2025, which was R48.5 billion more than total expenditure by vote in the 2023/24 financial year.

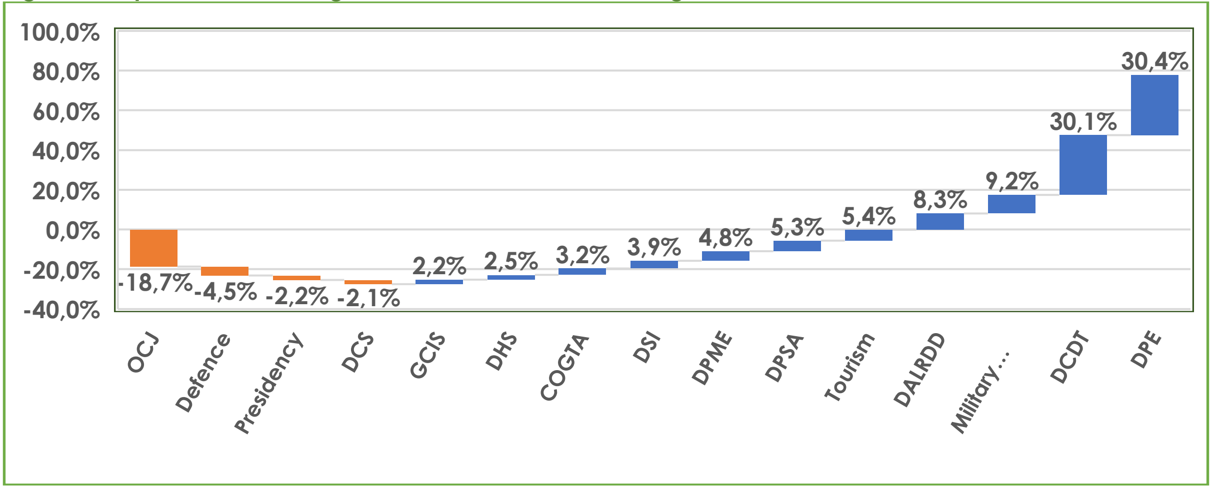
Table 2 Total expenditure/revised budget estimates, April -March 2025

R'000		Revised estimates 2024/25	Actual Expenditure, April - Mar 25	% YTD
2024/25	Appropriation by vote	1 119 194	1 110 698	99,2
	Direct charges against NRF	1 036 722	1 033 403	99,7
	National government projected underspending	-3 929	-	-
	Local government repayment to the NRF	-1 700	-	-
Consolidated Expenditure	**2024/25 Total**	**2 150 287**	**2 144 101**	**99,7**
2023/24	Appropriation by vote	1 065 041	1 062 069	99,7
	Direct charges against NRF	984 780	984 803	100,0
	National government projected underspending	-3 100	-	-
	Local government repayment to the NRF	-2 500	-	-
Consolidated Expenditure	**2023/24 Total**	**2 044 221**	**2 046 872**	**100,1**

Source: 2024 Budget Review and Section 32 Reports

By the end of 2024/25, expenditure on direct charges against the National Revenue Fund (NRF) reached R1 033.4 billion or 99,7 per cent of the revised budget. This reflects a 4.94 per cent increase compared to the previous year. Therefore, there was no underspending recorded under direct charges against the NRF.

Figure 2 Departments with Significant Variances Exceeding ±2%



Source: PBO based on Section 32 Reports

Figure 1 shows several departments with significant deviations from their allocated budgets, with both underspending and overspending exceeding the ±2 per cent threshold. Several departments recorded significant underspending of at least two per cent, including Public Enterprises (DPE), which underspent by R90.2 billion or 30.4 per cent, and Communications and Digital Technologies (DCDT), which underspent by R1.19 billion or 30.1 per cent. Other notable underspending occurred in Military Veterans (R74.9 million or 9.2%), Agriculture, Land Reform and Rural Development (DALRDD) (R1.41 billion or 8.3%), and Tourism (R128.8 million or 5.4%). This level of underspending, particularly in departments tasked with economic transformation, rural development, and employment stimulation, is concerning. It could hinder the delivery of key services such as support to land reform beneficiaries, tourism recovery efforts, and veteran welfare, which ultimately undermines broader government objectives of reducing unemployment, poverty, and inequality (UPI).

In contrast, four departments overspent beyond the two per cent threshold. The Office of the Chief Justice (OCJ) recorded the highest overspending at R238.1 million or 18.7 per cent, followed by Defence with R2.49 billion (4.5%), The Presidency at R13.8 million (2.2%), and Correctional Services with R589.5 million (2.1%). Overspending in these departments may indicate either budget pressures arising from unforeseen needs, such as increased personnel or operational costs, or potential inefficiencies in planning and execution. The significant over-expenditure in Defence reflects increased deployments and equipment costs.

Preliminary expenditure trends for the 2024/25 financial year also show concerning levels of underspending on capital assets across several key departments. The Department of Human Settlements (DHS), a critical driver of infrastructure delivery, reported a capital underspending of R529 million or 62 per cent, suggesting delays in project implementation or procurement inefficiencies. This underperformance limits the government's ability to stimulate economic activity through housing-related investments. Similarly, the Department of Higher Education and Training (DHET) underspent its capital budget by R226.5 million or 75 per cent, indicating stalled upgrades at tertiary institutions. This delays the expansion of access to quality education and skills development necessary for improved economic growth.

Parliamentary committees and oversight structures should prioritise scrutiny of departments with persistent or large deviations from planned expenditure. For underspending departments, it is critical to assess the root causes, which be related to procurement delays, weak project management, or capacity constraints, and implement corrective measures to ensure funds reach intended beneficiaries. Oversight bodies should demand clear turnaround plans and monitor quarterly expenditure trends more rigorously. For departments that overspent, accountability mechanisms must be strengthened, including audits, expenditure reviews, and where necessary, consequence management. Ultimately, aligning expenditure with policy intent is essential for achieving developmental outcomes, especially in a constrained fiscal environment.

4.3 Provincial revenue and expenditure overview 2024/25

Table 1 shows that provinces had collected 100 per cent (R754.9 billion) of their budgeted receipts by the end of March 2025. In terms of own receipts, on aggregate provinces had over collected by 4.4 per cent (R1.1 billion) compared to their adjusted appropriation of R25.1 billion. The notable over collection on provincial own receipts was largely due to interest, dividends and rent on land (R932.1 million or 141.1%) and Financial Transactions in Assets and Liabilities (R361.8 million or 219.7%).

Table 3 Provincial receipts, April-Mar 2025

Actual against budget receipts R'000 - April-March 2025			
Receipts	**Adjusted Appropriation (R Billion)**	**Exp (Apr-Mar 2025) (R billion)**	**% YTD**
Equitable Share	600 475 640	600 475 640	100,0
Conditional Grants	129 332 940	129 332 940	100,0
Transfers from NRF	**729 808 580**	**729 808 580**	**100,0**
Tax Receipts	18 333 685	18 254 429	99,6
Sales of Goods and Services other than Capital Assets	3 684 611	3 359 263	91,2
Transfers Received	122 329	43 976	35,9
Fines, Penalties and Forfeits	339 421	557 266	164,2
Interest, Dividends and Rent on land	2 230 935	3 163 109	141,8
Sale of Capital Assets	89 021	167 971	188,7
Financial Transactions in Assets and Liabilities	302 228	664 110	219,7
Provincial Own Receipts	**25 102 230**	**26 210 124**	**104,4**
TOTAL: RECEIPTS	**754 910 810**	**756 018 704**	**100,1**

Source: NT Section 32 Reports

Table 4 shows total provincial expenditure by economic classification. In 2024/25, the total amount spent by provinces by economic classification was R769.5 billion (99.3%) of the adjusted budget of R764.2 billion

Table 4 Provincial expenditure, Apr-Mar 2025

Expenditure by economic classification R'000, April - March 2025			
Economic class	**Adjusted Budget (R billion)**	**Expenditure (R billion)**	**%YTD**
Current payments	**634 257 883**	**631 664 875**	**99,59%**
COE	470 276 035	471 650 790	100,29%
Goods and	163 875 575	159 881 134	97,56%
Interest & rent on land	106 273	132 952	125,10%
Transfers and subsidies	**93 481 998**	**92 661 770**	**99,12%**
Capital assets	**41 762 334**	**39 776 856**	**95,25%**
Financial assets	**20 098**	**134 067**	**667,07%**
TOTAL	**769 522 312**	**764 237 568**	**99,31%**

Source: NT Section 32 Reports

For the 2024/25 financial year, provinces spent R764.24 billion or 99.31 per cent, out of an adjusted budget of R769.52 billion. This indicates better budget execution across provinces, with most economic classifications recording spending close to or above their allocated amounts. The largest portion of spending was on current payments, amounting to R631.66 billion or 99.59 per cent of the adjusted budget. Notably, Compensation of Employees (CoE) slightly exceeded its budget allocation at 100.29 per cent, reflecting higher-than-anticipated personnel costs. Meanwhile, goods and services recorded an expenditure rate of 97.56 per cent, indicating marginal underspending.

Although interest and rent on land is a small component in absolute terms, expenditure here stood at 125.10 per cent of the adjusted budget. Transfers and subsidies were well-aligned with the budget, recording 99.12 per cent execution. Provinces spent R39.78 billion on payments for capital assets, representing 95.25 per cent of the allocated budget. This indicates some challenges in rolling out infrastructure-related programmes. Expenditure on financial assets, while a small proportion of total expenditure, increased to 667.07 per cent, possibly due to once-off or unforeseen transactions.

4.4 Local Government overview 2024/25

Table 5 summarises South Africa's municipal revenue landscape, which is characterised by significant disparities across provinces, influenced by economic activity, urbanisation, and administrative efficiency.

Table 5 National Aggregated Revenue for Municipalities

Municipality Category	Operating Revenue	Capital Revenue	Total Revenue	Operating Expenditure	Capital Expenditure	Total Expenditure	Total as % of Main Appropriation
Category A (Metro)	344,769,858	36,836,805	381,606,663	187,608,109	9,827,750	197,435,860	51.7%
Category B (Local)	198,503,376	29,949,565	228,452,941	103,723,903	10,164,015	113,887,918	49.9%
Category C (District)	31,764,750	10,448,218	42,212,967	20,533,274	-6,342,429	14,190,845	33.6%
Total	575,037,984	77,234,588	652,272,572	311,865,287	13,649,336	325,514,623	49.9%
Province	**Operating Revenue**	**Capital Revenue**	**Total Revenue**	**Operating Expenditure**	**Capital Expenditure**	**Total Expenditure**	**Total as % of Main Appropriation**
Eastern Cape	51,552,660	10,017,978	61,570,638	30,042,556	3,044,841	33,087,397	53.7%
Free State	27,513,963	3,286,318	30,800,281	13,412,291	1,030,529	14,442,820	46.9%
Gauteng	207,700,738	14,128,933	221,829,671	112,746,960	3,172,545	115,919,506	52.3%
KwaZulu-Natal	100,075,631	14,996,675	115,072,306	55,839,226	4,597,390	60,436,616	52.5%
Limpopo	27,914,239	6,832,646	34,746,885	16,209,269	3,020,494	19,229,762	55.3%
Mpumalanga	28,775,116	4,255,497	33,030,613	14,960,172	1,595,885	16,556,057	50.1%
North West	27,166,716	3,896,171	31,062,887	14,093,012	-9,617,542	4,475,470	14.4%
Northern Cape	10,339,137	1,858,881	12,198,018	5,123,431	727,82	5,851,246	48.0%
Western Cape	93,999,783	17,961,490	111,961,274	49,438,372	6,077,378	55,515,749	49.6%
Total	**575,037,984**	**77,234,588**	**652,272,572**	**311,865,287**	**13,649,336**	**325,514,623**	**49.9%**

Source: NT Section 71 Reports

Gauteng stands out as the highest revenue-generating province, contributing approximately 34 per cent of the total municipal revenue. This is attributable to its status as the economic hub of the country, housing major metropolitan municipalities like Johannesburg, Tshwane, and Ekurhuleni. Gauteng's advanced infrastructure, but in many municipalities crumbling, and a higher concentration of businesses and taxpayers bolster its revenue base. However, the crumbling infrastructure endangers its revenue base going forward, if steps are not taken to address the ageing and dilapidating infrastructure. Similarly, the Western Cape and KwaZulu-Natal follow, contributing around 17 per cent and 15 per cent respectively. The Western Cape benefits from a robust tourism sector and a well-managed City of Cape Town, while KwaZulu-Natal's revenue is supported by the eThekwini Metro and the Port of Durban.

Table 5 also shows challenges in revenue collection in certain provinces. Provinces like the Eastern Cape, Free State, and North West face challenges in revenue collection due to factors such as lower economic activity, higher unemployment rates, and administrative inefficiencies. For instance, the Eastern Cape, despite its size, contributes less to the national GDP and has the lowest average taxable income among provinces.

Municipal expenditure follows similar patter as revenue. There are significant disparities across provinces, influenced by factors such as economic activity, population density, and administrative efficiency.

Table 6 National Aggregated Revenue for Municipalities

Municipality Category	Operating Expenditure	Capital Expenditure	Total Expenditure	Operating Expenditure (Adjusted)	Capital Expenditure (Adjusted)	Total Expenditure (Adjusted)	Total as % of Main Appropriation
Category A (Metro)	342,408,498	36,892,844	379,301,342	171,699,102	9,737,170	181,436,273	47.8%
Category B (Local)	199,264,315	30,007,413	229,271,728	87,607,359	10,857,069	98,464,428	42.9%
Category C (District)	30,844,773	10,510,515	41,355,288	13,942,829	-6,322,512	7,620,316	18.4%
Total	572,517,586	77,410,772	649,928,359	273,249,289	14,271,727	287,521,017	44.2%
Province	**Operating Expenditure**	**Capital Expenditure**	**Total Expenditure**	**Operating Expenditure (Adjusted)**	**Capital Expenditure (Adjusted)**	**Total Expenditure (Adjusted)**	**Total as % of Main Appropriation**
Eastern Cape	51,334,604	10,162,200	61,496,804	22,135,504	3,266,250	25,401,754	41.3%
Free State	26,399,237	3,288,714	29,687,952	11,969,295	1,032,522	13,001,817	43.8%
Gauteng	206,161,784	14,139,853	220,301,637	107,031,821	3,083,539	110,115,360	50.0%
KwaZulu-Natal	98,900,261	15,006,751	113,907,012	49,014,036	4,794,445	53,808,480	47.2%
Limpopo	27,022,350	6,833,346	33,855,696	12,284,143	3,028,298	15,312,441	45.2%
Mpumalanga	30,519,627	4,259,067	34,778,694	13,690,336	1,596,747	15,287,083	44.0%
North West	27,154,554	3,899,665	31,054,219	10,485,196	-9,616,006	869,19	2.8%
Northern Cape	10,453,177	1,859,581	12,312,758	4,163,505	727,918	4,891,423	39.7%
Western Cape	94,571,992	17,961,595	112,533,587	42,475,454	6,358,015	48,833,470	43.4%
Total	**572,517,586**	**77,410,772**	**649,928,359**	**273,249,289**	**14,271,727**	**287,521,017**	**44.2%**

Source: NT Section 71 Reports

Gauteng leads in municipal expenditure, with a total of R220.3 billion, reflecting its status as the country's economic powerhouse. The province's high population density and urbanisation necessitate substantial spending on infrastructure and services. KwaZulu-Natal and the Western Cape follow, with expenditures of R113.9 billion and R112.5 billion, respectively. These provinces have significant urban centres requiring extensive municipal services.

North West province has a low adjusted total expenditure of R869 million, which is only 2.8% of its main appropriation at end of Quarter 2. This suggests potential issues in budget execution or reporting inaccuracies. Provinces like the Eastern Cape, Free State, and Limpopo also show lower expenditure levels, which may be attributed to limited fiscal capacity, administrative challenges, or lower revenue bases.

The table 3 summarises the performance of direct conditional grants transferred from national departments to municipalities as at the end of the second quarter (Q2) of the 2024/25 municipal financial year, covering the period from July to December 2024. The analysis reflects both the funds transferred to municipalities and the actual expenditure incurred by both national departments and the municipalities. Across all grants reviewed, a total of R50.96 billion was allocated for the financial year, of which R28.5 billion or 56 per cent had been transferred to municipalities by the end of Q2. Actual expenditure by national departments amounted to R18.45 billion or 36 per cent, while municipalities had spent R12.81 billion or 25 per cent of the total allocation.

The Municipal Infrastructure Grant (MIG) achieved the highest level of spending by the end of the second quarter, with 55 per cent of the allocation spent by national departments and 33.3 per cent by municipalities. A number of other grants also showed strong performance. The Expanded Public Works Programme (EPWP) Integrated Grant recorded 44.1 per cent expenditure at municipal level, while both the Water Services Infrastructure Grant (WSIG) and the Regional Bulk Infrastructure Grant (RBIG) recorded municipal spending rates above 29 per cent. The Integrated Urban Development Grant (IUDG) also showed encouraging performance, with municipalities, particularly metros and secondary cities, spending 46.8 per cent of their allocated funds.

Table 3 Conditional grants transferred from national departments and payments made by municipalities

Department / Grant	Allocation	Transferred to Municipalities	Exp. by Nat. Dept.	Exp. by Municipalities	% Spent (Nat Dept)	% Spent (Municipalities)
National Treasury						
Project Preparation Support	385 840	263 821	82 377	46 932	21%	12.2%
LG Financial Management	582 223	582 223	233 176	156 013	40%	26.8%
Infrastructure Skills Dev	165 365	95 000	75 311	58 897	46%	35.6%
NDPG	1 676 392	1 203 930	511 460	353 524	31%	21.1%
CoGTA						
Integrated Urban Dev	1 145 564	693 335	595 715	536 100	52%	46.8%
Disaster Recovery	741 003	217 631	125 428	120 031	17%	16.2%
Transport						
Public Transport Network	7 473 434	2 888 971	1 640 740	1 477 729	22%	19.8%
Public Works						
EPWP Integrated Grant	560 103	370 749	254 764	247 094	45%	44.1%
Mineral Resources & Energy						
INEP (Municipal)	1 746 436	1 153 650	670 292	642 887	41%	39.7%
EEDSM	235 700	162 600	65 747	30 448	28%	12.9%
Water & Sanitation						
RBIG	3 852 383	2 416 206	1 586 317	1 139 276	41%	29.6%
WSIG	3 976 226	2 624 056	1 635 412	1 288 775	41%	32.4%
Human Settlements						
Metro Informal Settlement	4 515 194	3 006 147	1 567 988	1 020 620	35%	22.6%
CoGTA						
Municipal Infrastructure Grant	17 054 355	12 512 806	9 363 175	5 674 325	55%	33.3%
TOTAL	**50 959 593**	**28 498 997**	**18 452 357**	**12 813 496**	**36%**	**25.2%**

Source: Section 71 Reports

However, several grants displayed slower expenditure trends at municipal level. The Programme and Project Preparation Support Grant had a spending rate of only 12.2 per cent, while the Neighbourhood Development Partnership Grant (NDPG), which is presented in the table as a combination of Schedule 5B and 6B components, recorded municipal expenditure of 21.1 per cent. Similarly, the Energy Efficiency and Demand Side Management (EEDSM) Grant reflected a modest 12.9 per cent expenditure by municipalities. These lower levels of expenditure are likely linked to a combination of implementation challenges, including procurement delays, lack of project readiness, and capacity constraints at municipal level.

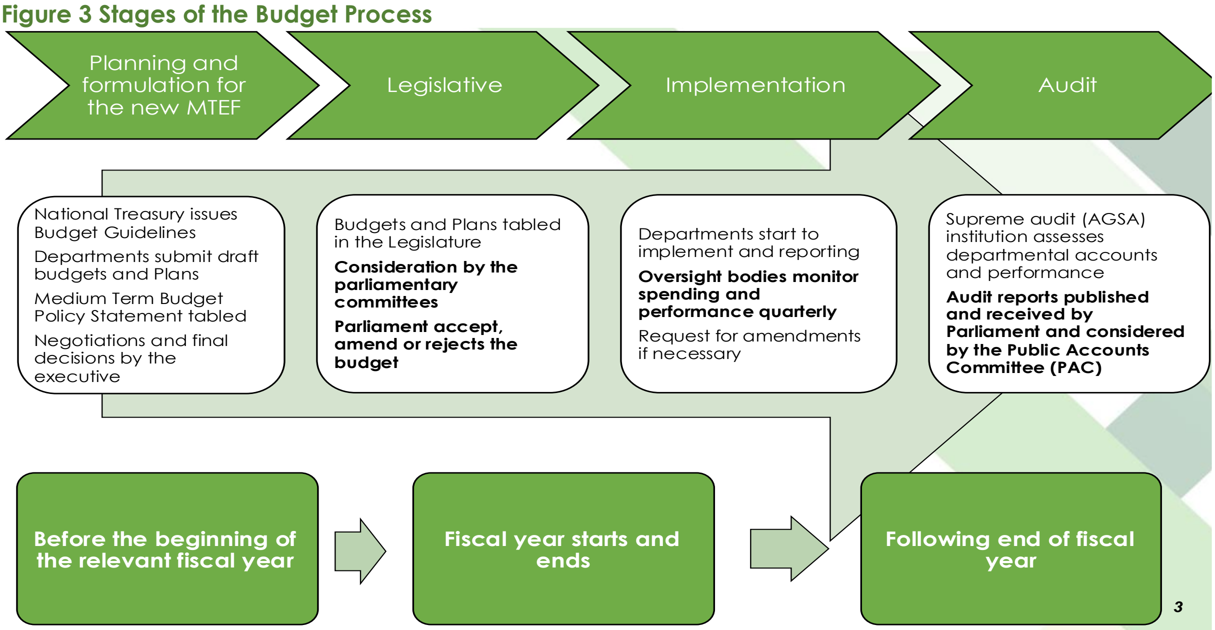
5 Update on the Budget Process

South Africa's budget process is a critical mechanism through which government policy is translated into action. Anchored in the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999) and the Money Bills and Related Matters Act, 2009 (Act 9 of 2009), the process aims to ensure fiscal discipline, allocative efficiency, and developmental impact. It requires robust coordination between the executive and legislative branches of government and is designed to promote transparency, accountability, and public participation in the allocation and use of public resources.

5.1 Stages of the Budget process

Figure 2 summarises the multiple stages of the budget process and show that it is continuous and overlapping, beginning with planning and culminating in auditing and performance reviews.

Figure 3 Stages of the Budget Process



Source: PBO

The National Treasury drives the technical formulation of the budget, while Parliament performs crucial oversight and approval functions. The Medium-Term Expenditure Framework (MTEF) provides a three-year rolling framework for expenditure planning and resource allocation in line with the government policy priorities.

Table 4 Timeline of the budget stages

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Planning, Formulation and Tabling									BRRR		
									MTBPS		
									Adjustments		
Legislative Process											
	National	Departmental									
	Budget	Budgets and Plans									
Implementation and Reporting						IYM			IYM		
IYM			IYM			QPR			QPR		
QPR			QPR								
Auditing								Annual Reports			

Source: PBO

Table 5 shows the timelines of the budget stages.

a) Planning and Formulation (May – February)

- Begins in May with departments submitting budget proposals based on government priorities outlined in the Medium-Term Development Plan (MTDP) and the National Development Plan (NDP).
- These are consolidated by the National Treasury into a draft budget.
- In February, the Minister of Finance tables the National Budget, which includes the Budget Review, Estimates of National Expenditure (ENE), Appropriation Bill, and Division of Revenue Bill (DoRB).

b) Legislative Phase (October – June)

- Starts with the Medium-Term Budget Policy Statement (MTBPS) in October and ends in June with Parliament's adoption of the budget.
- Committees in both Houses, particularly the Standing Committees on Finance and Appropriations, assess the proposed budget and accompanying legislation.
- The Budgetary Review and Recommendation Reports (BRRRs), submitted in October by Portfolio Committees, provide performance-based recommendations ahead of the next budget cycle.

c) Implementation and Monitoring (April – March)

- Once Parliament approves the budget, implementation begins in April (Year 2).
- Departments submit quarterly expenditure and performance reports to the National Treasury, DPME, and Parliament.
- Oversight during this stage is critical to detect inefficiencies, assess programme relevance, and ensure funds address socio-economic priorities.

d) Audit and Review Phase (September – March)

- The Auditor-General of South Africa (AGSA) audits departmental financial statements and performance.
- Audit findings, annual reports, and recommendations inform subsequent planning cycles and drive corrective actions.

5.2 Parliamentary budget process

Parliament plays a constitutionally mandated role in reviewing, debating, and approving the national budget. The constitution of the republic provides Parliaments with final authority in terms of the national budget to be implemented by government. The Parliament' budget process role is guided by the Money Bills Act (2009. The Act outlines the responsibilities of the Finance and Appropriations Committees in both Houses. The key responsibilities of Parliament include:

Reviewing the fiscal framework, tax proposals, and spending priorities.

- Considering public inputs through public submissions and hearings and stakeholder submissions.
- Ensuring that budget allocations align with national priorities and constitutional obligations.
- Facilitating amendments to money bills through a structured, transparent process.
- The committees consult the Parliamentary Budget Office and Financial and Fiscal Commission for independent analysis and advice based on their respected mandates. IN line with the constitutional provisions the citizens, civil society, state institutions, and labour organisations are also invited to participate in the budget hearings, enhancing the legitimacy and inclusivity of the process.

5.3 Amendments to the Budget

The Money Bills and Related Matters Act empowers Parliament to amend the national budget and other money bills tabled by government. The Act provide Parliament with details process in which to follow in considering any amendments to the budget and its related instruments. In terms of the Money Bills and Related Matters Act, any proposed budget amendment is to be based on the principles of evidence-based, fiscally sustainable, and aligned with the macroeconomic and fiscal policy framework and national development plans. In amending any budget and related instruments parliament may follow the following process:

- To consider public hearings on the fiscal framework, tax and other revenue proposals, this process is led by the Finance Committees. These committees prepare a report to be tabled in the Houses.
- May consider public hearings on the Division of Revenue Bill and Appropriation Bill, this process is led by the Appropriations Committees. Appropriations committees are further to consider the functional committees likely to be impacted by any amendments proposed

Parliament' consideration for any budget and related instruments amendments, may include and consider:

- Impact of the amendments of strategic priorities.
- Alignment with departmental strategic plans and annual performance plans (APPs).
- Effects on service delivery and balance between capital and recurrent spending.
- Consultation across relevant committees and affected Cabinet members.
- Recommendations must be tabled with supporting information and Ministerial responses within 10 days.

The budget amendment framework ensures that any amendments are backed by a research and analysis that further ensure government is able to realise the country' developmentally outcomes.

5.4 Role of Members of Parliament

The members of parliament serve as custodians of the public purse. Their engagement across all phases of the budget process ensures accountability and responsiveness to citizens' needs. The key functions of the MPs include:

- ***Scrutinising Budget Proposals:*** MPs assess whether allocations align with the NDP, MTDP, and APPs. They interrogate departments on issues of poverty, unemployment, and inequality.
- ***Debating and Amending the Budget:*** During Budget Vote Debates, MPs hold Ministers accountable by questioning departmental priorities, performance, and spending plans. In committees, MPs scrutinise each department's allocation, assessing alignment with policy priorities and past performance. Based on this review, they may recommend approving, rejecting, or amending the vote to ensure the budget supports national development goals and delivers value for money
- ***Conducting Oversight:*** MPs participate in oversight visits, review performance reports, and produce BRRRs. They rely on data from the Auditor-General, Treasury, and PBO to inform evidence-based recommendations.
- ***Enhancing Public Participation:*** MPs facilitate public consultations, ensuring citizens' voices influence budget decisions, particularly on matters affecting vulnerable and marginalised communities.

- ***Ensuring Relevance and Efficiency:*** Oversight helps determine if programmes are outdated or ineffective, promoting reallocation of funds toward high-impact interventions.
- ***Understanding the Budget Process:*** For new Members, it is crucial to grasp Parliament's role in the budget cycle, including scrutiny, amendment, and approval of spending through the Appropriation Bill and Budget Vote process

Essentially, South Africa's budget process is designed to promote inclusive governance, fiscal discipline, and service delivery. Parliament, with active participation from MPs and stakeholders, plays a crucial role in shaping and overseeing the budget to ensure it delivers on the country's socio-economic transformation agenda. The effective use of oversight tools, amendment powers, and participatory platforms strengthens the integrity of the budget process and enhances public trust in democratic institutions.

6 the Budget 3.0

On 27 April 2025, Parliament received a court order regarding the process of the adoption of the 2025 fiscal framework and revenue proposals that took place on the 02 April 2025. The order by the Cape High Court, suspends the VAT adjustment by 0.5 per cent and sets aside the Houses resolutions adopting the 2025 fiscal framework reports that were adopted on the 02 April 2025. This enables the Minister of Finance to table the national budget afresh on Wednesday, 21 May 2025. This section outlines the budget process that Parliament and its committees would implement regarding the 2025 budget coming weeks, and how this revised process will unfold in line with legislative and fiscal rules.

The 2025 Budget is the first of the 7th Administration, therefore it is the unique importance of this budget as the first under the new administration. It sets the tone for the next five years and should signal a clear commitment to delivering on the government's priorities. The 2024-2029 Medium-Term Development Plan is the government's strategic roadmap. The budget should provide the necessary funding and resource allocation to support the plan's objectives and targets. The budget must demonstrably allocate resources to support these specific priorities. Parliament should scrutinize how well the budget translates these policy goals into concrete, funded programs. It is very important that the PBO support parliament to hold the executive accountable for aligning the budget to these priorities.

6.1 Re-tabling of 2025 Budget proposals

The revised budget will include the full suite of budget instruments:

- **The Fiscal Framework:** Sets the overall context for the budget. It outlines the government's economic and fiscal policy objectives, macroeconomic projections (like GDP growth, inflation), and the overall limits for government spending, revenue, borrowing, and debt. MPs can think of it as the blueprint that guides the entire budget. It's important for MPs to assess if the framework aligns with national priorities and promotes fiscal sustainability. government fiscal policy objective for medium term. Specifically set out the framework of spending, revenue and debt levels over the medium term.
- **Division of Revenue Bill:** the Bill determines how the money collected nationally is divided among the three spheres of government: national, provincial, and local. It ensures that each sphere has the necessary funds to fulfill its constitutional mandates. MPs should scrutinize this Bill to ensure equitable distribution and that funding formulas are fair and transparent. The DORA provides for the tabling and approval of the national budget votes and their strategic plans.

- **Appropriation Bill:** This is arguably the most critical instrument when it comes to national government spending. It authorizes the national government to spend money. It details how much money is allocated to each government department, agency, and specific program. It's where the government's priorities, as outlined in the budget speech, are translated into actual spending. MPs play a vital role in examining this Bill to ensure that public funds are allocated efficiently, effectively, and in line with the needs of the country.
- **Tax and Revenue Bills:** These Bills contain the specific tax proposals (changes to tax rates, structures, etc.) and other revenue-raising measures that the government plans to implement to finance its expenditure. These bills are crucial for generating the revenue needed to fund the allocations in the Appropriation Bill. MPs must assess the impact of these tax measures on different sectors of the economy and on citizens, ensuring fairness and economic viability. The following revenue bills are expected to be approved Parliament
    - Rates and Monetary Amounts and Amendment of Revenue Laws Bill
    - Taxation Laws Amendment Bill
    - Tax Administration Laws Amendment Bill

These revised budget instruments to be tabled on the 21 May 2025 will replace the previously invalidated versions and must be considered afresh by Parliament. Furthermore, the National Treasury is in the process of complying with the Money Bills and Related Matters Act, by consulting and engaging various stakeholders including political parties within the Government of National Unity and securing cabinet approval prior to tabling of the budget.

6.2 Budget 3.0 – Parliament processes and timeline

The Money Bills and Related Matters Act of 2009 provide clear timelines in terms of how Parliament and Committees are to process the budget instrument. The Act provides that the budget instruments and document once tabled to be referred to the Finance and Appropriations Committees in both houses of parliaments. The Fiscal Framework is to be considered and approved within 16 days of the tabling of the budget or any reasonable time thereafter. The Finance Committees are required to prepare fiscal framework report to be tabled in the houses once it has considered inputs from various stakeholders. Division of Revenue Bill is then to be considered and approved by within 35 days once the fiscal framework has been adopted or any reasonable time thereafter. Appropriations Committees are required to prepare Division of Revenue report to be tabled in the houses once it has considered inputs from various stakeholders. The National Department budget Votes are also having to be tabled and considered by the National Assembly within the same period of finalising the budge instruments. The Appropriations Bill must be considered and approved by houses of parliament within 4 months after the start of the financial year (by the end of July). Both Divisions of Revenue Bills and Appropriations Bills to be adopted or amended by Parliament must aligned with the approved fiscal framework. The Finance Committees have to consider the tax and revenue proposal and table the reports in both houses after considering various stakeholders' inputs as required by the Money Bills Act. The Act does not provide for specific timelines within the fiscal year for the tax and revenue bills to be considered and approved by Parliament.

6.3 Temporary Spending Arrangements (Section 29 of PFMA)

The national and provincial departments, as well as municipalities relies on interim spending provisions until the revised budget is passed by Parliament as per the Money Bills and Related Matters Act. The following interim spending provisions are considered:

- Up to 45 per cent of last year's budget for the first four months of the financial year
- Up to 10 per cent month thereafter
- Transfers to provinces and municipalities will be made under the 2024 Division of Revenue Act

This ensures continuity of government services despite the delayed passage of the 2025 Budget. According to National Treasury, the department is in the process of revising the fiscal framework to update economic and revenue assumptions, adjust borrowing strategies, incorporate the reversal of the proposed VAT increase and maintain the path to debt stabilisation. The MPs are to use this process of revised budget as an opportunity for rigorous fiscal oversight and to engage more deeply with the implications of budget decisions on society, the economy and the public finances performance and positions. Public services, debt levels, and economic growth.

7 Conclusion

As Parliament prepares to engage with the 2025 Budget, this pre-briefing has provided essential information on the global and domestic economic context, strategic framework for the 2025 budget as well as a review of preliminary budget performance across all spheres of government. The brief provides a comprehensive overview of the key factors shaping the revised 2025 Budget. The insights shared are intended to equip MPs with the knowledge and understanding necessary to effectively fulfil their oversight responsibilities, particularly during the upcoming Budget Vote debates. By examining past expenditure and assessing the outcomes achieved, Members can better scrutinize new allocations, hold departments accountable for their spending, and ensure that the national budget is aligned with South Africa's developmental priorities.