

UNREVISED HANSARD

NATIONAL ASSEMBLY

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PROCEEDINGS OF NATIONAL ASSEMBLY

The House met at Nieuwmeester Dome at 14:03.

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

The SPEAKER: Order, hon members. Order? Today, we have only one item on the agenda, and that will be the Introduction of the Appropriation Bill, Introduction of Public Sector Pension and Related Payment Bill, Introduction of Eskom Debt Relief Amendment Bill and Introduction of Revenue Laws Bill. I will now ask the Secretary to read the First Order.

The SPEAKER: Hon the Minister of Finance. [Applause.]

Ms O M C MAOTWE: Order, Speaker. On a point of order, Speaker.

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The SPEAKER: Order, hon member. I will ask the Minister to take a seat first. There are two members. Hon Maotwe, the first member who raise his hand is hon Manyi. I will recognize you after him. Thank you. Hon Manyi, what's the point of order?

Mr M MANYI: Speaker, for us as the MK Party, we are asking purely based on the values of Ubuntu that on 19 February, we were here to listen to the Budget Speech, which didn't happen. We think that the Minister will be within the values and the realm of Ubuntu for him to apologise to this House for making us come here for nothing and must also apologise to the people of South Africa which we represent here that that day did not happen. So, we are asking that that apology must happen and also, Speaker, we also want to ask the Minister to take this House into his confidence, to say what exactly caused him not to table the Budget Speech on 19. Thank you, Speaker.

The SPEAKER: Minister, you can take your seat. Minister, you can take your seat, I will recognize the EFF. Yes, hon member.

Ms O M C MAOTWE: Speaker, I was looking at the time when you sat on that chair, it was exactly three minutes past 2. The

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House sitting is scheduled to start at 2. So, Speaker, you were late. All of us we were here. The honourable thing for you to have done was to apologize for coming late and explain why you actually came late. [Applause.] Please, we request you to apologize for coming late and tell the country why you arrived late in this meeting that you have called yourself. Thank you. [Applause.]

The SPEAKER: Hon members, we have noted both your requests as well as your comments. I want to remind, hon members, that during the sitting on 19, we never proceeded with the sitting. We gave opportunities for parties to express themselves. Members of the executive were here, the Leader of Government Business was here, and I am sure the Minister in presenting the budget, have noted the concerns that have been raised then and have noted the concerns as they have been raised now, and I will leave it to the Minister to then deal with the matter secondly, hon Maotwe, indeed, we start at 2:00.

An HON MEMBER: Point of order.

The SPEAKER: Yes, sir. [Interjection.] Okay. Can you allow me to assist the Minister? Let's not do what we usually do not do

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in this House. We have decorum, respect one another and we allow the Speaker to do what she has to do. Indeed, we are supposed to start at 3. [Interjections.]. Sorry, we started at Okay. Okay.

On Wednesdays, we usually start at 3. But today, because of the presentation of the Budget we start at 2. We do apologize because there was a bit of, you know, people here on the aisle which the serjeant-at-arms was trying to remove. I was here before 2:00 PM, but we do apologize that we did not start exactly on the time as you requested and all of us know that last time, we had a not so kind dress rehearsal for the Budget, which will now be presented, but we are now asking the Minister of Finance.

APPROPRIATION BILL

(Introduction)

PUBLIC SECTOR PENSION AND RELATED PAYMENT BILL

(Introduction)

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ESKOM DEBT RELIEF AMENDMENT BILL

(Introduction)

REVENUE LAWS AMENDMENT BILL

(Introduction)

The MINISTER OF FINANCE: Hon Speaker, I will probably assure uKрила [clan name] that I am going to come back to that issue later. It is taken note of.

Hon Speaker Thoko Didiza, Deputy Speaker Annelie Lotriet, Chairperson of the National Council of Provinces Refiloe Mtshweni-Tsipane, Deputy Chairperson of the National Council of Provinces Les Govender, His Excellency President Cyril Ramaphosa, hon Deputy President Paul Mashatile, Cabinet colleagues, Members of the Executive Council for Finance, hon members, Governor of the South African Reserve Bank, Commissioner of the South African Revenue Service, Fellow South Africans. I will come back to that point of ...

[Inaudible.] ...

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I have the honour to table the following documents before this House:

The 2025 Division of Revenue Bill;

The 2025 Appropriation Bill;

The 2025 Eskom Debt Relief Amendment Bill;

The 2025 Public Sector Pension and Related Payments Bill;

The 2025 Revenue Laws Amendment Bill;

The 2025 Estimates of National Expenditure;

The 2025 Budget Review; and

The 2025 Budget Speech.

Speaker, let me first before going on that lighter note take the point raised by hon Manyi that indeed it was an inconvenience for this Parliament and the people of South Africa.

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And indeed, we owe this Parliament an apology, and we owe the people of South Africa an apology. No doubt about that. We did not like the postponement. But on a lighter note, I saw on social media something that said, uh, "This budget is postponed until my favourite club wins." That is Kaiser Chiefs. [Applause.]

In Cabinet, when I made this point, Dr Ramokgopa wrote me a piece of note and said, "This budget will never be tabled." And hon Gigaba said, "These people are putting the country in crisis because this budget will never be tabled."

Now, let me go back to the postponement, as I have apologised, and say that, the postponement of the tabling of the budget three weeks ago was a regrettable, but perhaps an understandable feature of multiparty governance.

It is also a sign of some of the difficulties associated with a multi-party democracy.

But what is positive is that the delay has stimulated an unprecedented level of public debate about the difficult policy trade-offs we, as a nation, face.

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A vital debate about which policies to fund and how to fund them. About which priorities to pursue now, and which ones we may need to delay in the context of our unlimited resources.

As much as the debate has been dominated by the proposed increase to value-added tax, VAT, the bigger debate must be about how we grow the economy for the benefit of all South Africans.

A bigger, faster growing economy, and the larger fiscal resources that comes with it, would give us more fiscal room to meet more of our developmental goals.

But the truth is that our economy has stagnated for over a decade. In that time, GDP growth has averaged less than 2 percent, far below the level required to meet our expanding list of needs.

In 2024, the economy grew by only 0,6 percent. Over the medium term, GDP growth is projected to average 1,8 percent.

To meet our goals of redistribution, redress and structural transformation, the economy needs to grow much faster and in

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an inclusive manner. This is the central objective of the current administration.

Today's Budget proposes a bold and pragmatic approach to achieving this formidable task.

It calls for macroeconomic stability supported by sound fiscal policy. For the deepening of structural reforms to remove the obstacles to growth and job creation. And for scaling up infrastructure to unlock the productive capacity of the economy, while building a capable state that supports all these efforts.

The Budget remains committed to a balanced fiscal strategy.

As projected in the 2024 Medium Term Budget Policy Statement, MTBPS, a budget primary surplus of 0,5 percent of GDP will be achieved in 2024/25, and this will grow to 0,9 percent in 2025/26.

Government debt will stabilise, at 762 percent of GDP in 2025/26, while the consolidated budget deficit also narrows, to 3,5 percent by 2027/28.

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Madam Speaker, as debt stabilises, a growing primary surplus will enable the government to reduce debt-service costs as a proportion of revenue.

Some of those savings will be used to build up fiscal buffers that we need as protection against future economic shocks. Shocks like the COVID-19 pandemic, and other uncertainties stemming from the rising geopolitical tensions and the global economic ramifications thereof.

Debt-service costs will amount to R389,6 billion in the current financial year. This translates to 22 cents of every rand we raise in revenue. It is more than what we spend on health, the police and basic education.

We must reverse this trend and prevent the cost of debt from taking away resources that could otherwise be spent on our pressing social needs, or to invest in growth.

In this regard, our fiscal strategy stabilises debt service costs as a percentage of revenue in 2024/25 by maintaining a primary budget surplus.

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The Eskom debt relief arrangements are also effective and contribute to the improved fiscal position.

Eskom is now in a much better financial position than in 2023 when the debt relief was originally announced.

As a result of these improvements, we have decided to simplify the final phase of the debt relief package.

The last R70 billion debt takeovers will now be replaced with R40 billion in 2025/26, and R10 billion in 2028/29. This will result in a saving for the government of about R20 billion.

Hon members, these fiscal improvements are important milestones on our path to fostering a stable macroeconomic environment that is a prerequisite for a higher level of growth that promotes job creation, improves public services and reduces inequality.

FOSTERING FASTER INCLUSIVE GROWTH

Our strategy to achieve faster growth remains anchored on the following four pillars:

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- Maintaining macroeconomic stability,
- Implementing structural reforms,
- Improving state capability, and
- Accelerating infrastructure investment.

Maintaining macroeconomic stability, inclusive of prudent fiscal policy, promotes stable prices, lowers interest rates and enhances the country's resilience to external shocks.

This creates a conducive environment for investment.

Implementing structural reforms removes impediments to growth and creates a solid foundation for a high and sustained economic growth.

Madam Speaker, it was out of the realisation that economic growth and fiscal stability are mutually reinforcing, that Operation Vulindlela, VO, was formed as a joint initiative between the Treasury and the Presidency, to fast track the implementation of structural reforms.

Its objectives were to:

1. Stabilise the supply of electricity;

2. Create a competitive and efficient freight logistics system;
3. Reduce the cost and improve the quality of digital communication;
4. Ensure a stable, quality supply of water; and
5. Reform the visa regime to facilitate skilled immigration and support tourism.

Since its establishment in 2020, OV has made real progress in achieving these objectives.

For example:

- The energy reforms have created a 22 500 mega-watt pipeline of projects. More than 10 000 mega-watts are formally registered with the NERSA, which is one of the last steps in the regulatory process. These projects will contribute to reducing power cuts.
- The Freight Logistics Roadmap was approved. The roadmap allows private sector participation and gives third-party access in accordance with the network statement.

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- The cost of a 1.5GB data bundle has declined by 51 percent, allowing individuals and small businesses to access more affordable data.
- The water-use licenses backlog has been cleared, unlocking billions in investment and freeing projects that had stalled because of the backlog.
- The water quality regulatory system was reinstated for the first time since 2014. This is the Green Drop, Blue Drop and No Drop certification that enables effective intervention in supporting failing municipalities to provide clean water to citizens.
- e-Visas for travellers from 34 countries have been introduced to significantly boost tourism. The trusted employer scheme has been established to fast-track visa process for major investors.

These achievements have eased economic bottlenecks. And building on the successes, Phase 2 of OV will focus on:

- Following through on existing reforms in energy, water, logistics and visa systems;
- Strengthening local government and improving the delivery of basic services;
- Harnessing digital public infrastructure as a driver of growth and inclusion; and
- Creating sufficient productive and inclusive cities.

INFRASTRUCTURE

Madam Speaker, infrastructure is a key pillar of our growth strategy.

It is the bedrock for economic development, a key source of jobs, and an avenue to scale-up service delivery.

INFRASTRUCTURE SPENDING

This budget reflects that understanding. Allocations towards capital payments are the fastest growing area of spending by economic classification.

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Public infrastructure spending over the next three years will amount to more than R1 trillion.

The spending will focus on three sectors:

- R402 billion for transport and logistics,
- R219,2 billion for energy infrastructure, and
- R156,3 billion for water and sanitation.

In transport, the South African National Roads Agency, SANRAL, will spend R100 billion over the medium term to keep the national road network in good condition.

Provincial roads departments will reseal over 16,000 lane-kilometres of roads in their areas of authority.

The Passenger Rail Agency of South Africa, PRASA, is making steady progress to rebuild infrastructure to provide affordable commuter rail services.

To sustain this progress, we have provisionally allocated an additional R19,2 billion over the medium term for critical signalling upgrades.

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This will enable commuters from areas like Mamelodi, Kwa-Mashu, Motherwell and Khayelitsha, Naledi, to name but a few to catch a train every 10 minutes, ... [Applause.] ... to get to and from work and significantly reduce the money that low-income households spend on transport.

Let me pause and show an example:

The world Bank has produced a report ... People tend to be selective when read, write reports, they don't read what they don't like.

The report says rand for rand, if you compare a worker from South Korea and a worker from South Africa, the South African worker has less disposable income than a worker from South Korea. The explanation for this is transportation costs.

In South Africa, these transportation costs are influenced by two things:

The particular dimension and the transportation costs.

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This investment is critical for the poor communities in our regions. - I don't know when someone says this budget is not pro-poor. What is meant by that?

This allocation will also allow PRASA to maximise the potential of the 241 new trains delivered through the rolling stock renewal programme. [Applause.]

Despite the progress made, PRASA's procurement system needs strengthening.

The management of the entity have already instituted measures to strengthen their procurement weaknesses. This includes getting support from the National Treasury to build capacity and mitigate risks and undertaking live audits for large procurement projects.

In water, we are investing in several large-scale dam projects that are ramping up or entering construction.

The Mkhomazi Project is expected to commence construction in November 2027, transferring water to the uMngeni Water Supply System. This will increase the total capacity of the system to

5 million households in eThekweni and four district municipalities in KwaZulu Natal.

The Berg River-Voëlsvlei Augmentation Scheme is expected to start in July 2026. The project will improve the Western Cape's Water Supply System, improving regional water security while reliably supplying domestic, agricultural and industrial water users.

To further accelerate infrastructure delivery and effectiveness, we are continuing reforms to facilitate greater private sector participation, capital budgeting reform and alternative infrastructure financing.

PUBLIC-PRIVATE PARTNERSHIPS

The new regulations for public-private partnerships, PPPs, have been finalised and will take effect on 01 June 2025.

The regulations reduce the procedural complexity of undertaking PPPs, create capacity to support and manage PPPs, create clear rules for managing unsolicited bids, and strengthen fiscal risk governance.

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The regulations also make provision for national departments to establish sector-specific PPP units. These units will drive private sector participation, PSP, creating opportunities to optimise the balance sheets of financially distressed state-owned companies.

The Department of Transport and Transnet will engage the market on PSP projects in the following areas:

- The ore, chrome, coal and manganese lines.
- Expansion and automation of the ferrochrome and magnetite terminal at the port of Richards Bay.
- The container and automotive sectors, including the potential designation of the SA container port system as a regional trans-shipment hub for major shipping lines.

And establishment of independent rolling stock leasing company.

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Should Transnet require gap funding for its PSP projects, the Budget Facility for Infrastructure, BFI, will consider these after proper packaging and financial structuring.

Additional guarantees may also be considered to refinance the entity's maturing debt as well as its capital investment programme.

In the energy sector, the Independent Transmission Programme will be launched later this year.

A request for information for a multi-line transmission package will also be issued by the Independent Power Producers Office in July this year, followed by a request for proposals in November.

These will enable the private sector to play a key role in the expansion of the transmission network.

BUDGET FACILITY FOR INFRASTRUCTURE

Madam Speaker, we have reconfigured the BFI to run multiple bid windows instead of just one annual window.

Earlier this week, we published a call for proposals under the new system.

The first window is now open and will close mid-April. The next window will open soon thereafter.

Financing decisions to determine the appropriate fiscal mechanism to support projects have also been separated from the evaluation and budget processes.

This will facilitate the mobilising of significant private finance and improve allocative efficiency in fiscal support.

ALTERNATIVE FINANCING ARRANGEMENTS

Lastly, our efforts to diversify the financing strategy to support infrastructure are taking shape.

A credit guarantee vehicle to mobilise private sector capital by derisking projects, will be launched in 2026. Its initial focus will be on independent transmission aimed at bridging the energy transmission deficit. Once the vehicle has demonstrated its efficacy, it will be broadened to include other sectors.

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Government will issue its first infrastructure bond in 2025/26. We will also introduce other innovative financing instruments to diversify the infrastructure funding sources. Financial institutions including pension funds, banks, development banks and international financial institutions have already expressed interest in participating.

This, Madam Speaker, is how we plan to leverage infrastructure investment to ease supply side constraints to the economy and improve access to social services the people get.

REVENUE AND TAX PROPOSALS

Madam Speaker,

There are several persistent spending pressures in health, education, transport and security.

These have to do with the government properly fulfilling its service delivery mandate.

After careful consideration, the government has decided to fund these. Deferring the funding of these sectors further

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would compromise the government's ability to meet its constitutional obligations to the people.

To raise the revenue needed, the government proposes to increase the VAT rate by half- a percentage point in 2025/26, and by another half-a-percentage point in the following year.

This will bring the VAT rate to 16 percent in 2026/27.

Let me pause for a moment and say; should the spending reviews and other measures yield enough extra revenue; we will reassess the need to embark on the second half-a-percent point increase to that.

Government also proposes no inflationary adjustments to personal income tax brackets, rebates and medical tax credits.

These measures will raise R28 billion in additional revenue in 2025/26 and R14,5 billion in 2026/27 financial year.

Madam Speaker, this decision was not made lightly. I can tell you now, no Minister of Finance is ever happy to increase taxes.

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We are aware of the fact that a lower overall burden of tax can help to increase investment and job creation and also unlock household spending power.

We have, however, had to balance this knowledge against the very real, and pressing, service delivery needs that are vital to our developmental goals and which cannot be further postponed.

OPTING FOR VAT

Hon members, we thoroughly examined alternatives to raising the VAT rate. We weighed up the policy trade-offs involved, including increases to corporate and personal income taxes.

Increasing corporate or personal income tax rates would generate less revenue, while potentially harming investment, job creation and economic growth.

Corporate tax collections have declined over the last few years, an indication of falling profits and a trading environment worsened by the logistics constraints and rising electricity costs.

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Furthermore, South Africa's corporate income tax collections are already higher than most of our peer countries.

On the other hand, an increase to the personal income tax rate would reduce taxpayers' incentives to work and save.

Our top personal income tax rate and our personal income tax collections as a percentage of GDP are far higher than those of most developing countries. Increasing it is therefore not feasible.

Taking on additional debt to meet the spending pressures was also not feasible. The amount is simply too large. The cost of borrowing would be unaffordable. Our sub-investment credit rating would also make this level of borrowing costlier and put us at risk of even further downgrades.

Madam Speaker, VAT is a tax that affects everyone. By opting for a marginal increase to VAT, its distributional effect and impact were cautiously considered.

The increase is also the most effective way to avoid further spending cuts and to enable us to extend the social wage.

CUSHIONING HOUSEHOLDS

The government is very aware of the cost-of-living pressures faced by households, including high food and fuel prices and rising electricity and transportation costs.

This is why we are taking concrete steps to protect vulnerable households.

The is done through:

- Providing social grant increases that are above inflation.
- Expanding the basket of VAT zero-rated food items to include canned vegetables, dairy liquid blends, and organ meats from sheep, poultry and other animals.
- We are also not increasing the fuel levy for another year, saving consumers around R4 billion.

RESOURCING SARS

Madam Speaker, broadening the tax base and improving the administrative efficiency of the South African Revenue

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Service, allows us over time, to spread the tax burden more evenly and equitably.

With this in mind, SARS is allocated R3,5 billion in the current financial year and an additional R4 billion over the medium term.

By the end of February this year, SARS reported a significant increase in undisputed debt. This means billions of rands are owed to the state.

The revenue collector has also detected 156 000 taxpayers who are not registered or have not filed despite their substantial economic activity.

We therefore call on all South Africans to comply with the law and support SARS in its endeavour to collect the revenues that enable government to fund and provide critical services.

I also want to emphasise the importance of tax compliance.

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I thank all compliant taxpayers who pay their fair share of taxes. I also encourage those that are not compliant to do the right thing.

The rewards of higher tax compliance and efficiency take time. Once again, the investments we make today in SARS will allow the collector the time to make improvements.

SPENDING PRIORITIES AND THE DIVISION OF REVENUE

Madam Speaker, the revenue proposed through the tax measures announced in this Budget will contribute largely to us providing R232,6 billion in additional funding to key programmes over the medium term.

This amounts to R102 billion in 2025/26, R68 billion in 2026/27, and R62 billion in 2027/28 financial years.

The funding is for spending pressures for infrastructure investments, social protection, a higher-than-anticipated public-service wage agreement, and provisional allocations for critical frontline services.

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Hon members, in the last year alone public sector health system lost close to 9 000 health workers. We did not have the money to retain or replace them even after reprioritising funds budgeted for consumables and medicines.

Accruals in this sector, which is the money owed by departments to vendors for services already provided, also ballooned to nearly R22 million.

Let me dramatise the whole thing in terms of how it works. In a Department of Health in a province, they pay, you pay, you provide services. The Department of Health has no money to pay you now, they will wait for April. Then in April, they will pay you with the new money for last year, the second year with the one in 2025/26 financial year. They have no money to pay the new ones, so that cannot be allowed. It cannot go on like this. We would be an irresponsible government if we can allow such things to happen.

And as a result, therefore, our health services are becoming dysfunctional.

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This means that the money allocated to departments ends up paying for previous year's services and goods rather than for the current needs, setting off a vicious cycle of budget shortfalls, unpaid invoices, and the crisis in cash flow and the planning and the predictability of budgets. This is an untenable situation that we could not leave unresolved.

As a result, consolidated spending, which exclude interest payment increases from R2,4 trillion in 2024/25 to R2,83 trillion in 2027/28 financial year. Provinces will receive R2,4 trillion of the over the medium-term period. This budget includes allocation to support critical provincial functions related to health and education.

This means that the money allocated to departments ends up paying for previous services and goods rather than for the current needs, setting off a vicious cycle of budget shortfalls, unpaid invoices, and a crisis in cashflow and the planning and predictability of budgets.

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As a result, consolidated spending, which excludes interest payments, increases from R2,4 trillion in 2024/25 to R2,83 trillion in 2027/28.

Provinces will receive R2.4 trillion over the MTEF period. This budget includes additional allocations to support critical provincial functions related to health and education.

We trust that the allocations will be used for their intended purposes.

I must repeat. Because these funds that are allocated to provinces goes through what is called an "equitable share." Once they become part of the equitable share, the decision to divide that money and allocate it becomes a provincial decision. And the provincial government is at liberty to use it in any manner it decides.

And the final product is a loss of capacity in health services.

The local government equitable share will increase from R99.5 billion in 2024/25 to R115,7 billion in 2027/28 financial

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year. This is to fund increases in the cost of bulk water and electricity costs provided for free to needy households.

In 2025/26 financial year, 83 percent of the local government equitable share provides a free basic services package of R610 per month to 11,2 million poor households.

Hon members, this package of free municipal services continues to be a key tool for reducing poverty and inequality, raising living standards and facilitating access to greater economic opportunities.

PUBLIC SECTOR PERSONNEL AND WAGES

Madam Speaker, a three-year wage agreement has been reached. Although the agreement exceeds the 2024 Budget and MTBPS projections, its duration reduces uncertainty in budget planning.

This agreement will cost an additional R7,3 billion in 2025/26, R7,8 billion in 2026/27 and R8,2 billion in 2027/28 financial years. These are the comrades that are marching for me outside.

An amount of R11 billion is provisionally allocated over the next two fiscal years for the early retirement initiative, whose intention is to attract younger employees into the public service. Preliminary savings are expected to average R7,1 billion per year over the medium-to-long term. The savings will be retained by departments.

The interventions on the wage bill are aimed at ensuring that when key frontline staff are lost through natural attrition and retirement, sectors are able to fill vacant posts to keep services running effectively.

EARLY CHILDHOOD DEVELOPMENT AND BASIC EDUCATION

Paying salaries constitute 76 percent of provincial education budgets. This means that only R24 out of every R100 of their budget is left for funding school infrastructure, meals for learners from poor backgrounds, and stationery and textbooks, amongst others.

Our learner-teacher ratios remain higher than we would like, meaning that we still need more teachers in classrooms.

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To prevent compensation of employees from crowding out other equally important areas of spending, R19.1 billion is added over the medium term to keep approximately 11 000 teachers in classrooms.

The foundation to building the next generation of citizens who contribute economically and socially to this great nation is early childhood development.

Despite this, the subsidy for ECD has not increased from the 2019 level of R17 per day, per child.

To remedy this, an additional R10 billion over the medium term is allocated to increase the subsidy to R24 per day per child. The extra funding will also support increased access to early childhood development, ECD, for approximately 700 000 more children, up to the age of four years old.

HEALTH

Health spending will grow from R277 billion in 2024/25 to R329 billion in 2027/28 financial year, to support the equitable provision of public health services, including free primary healthcare.

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Like in provincial education, a significant portion of the provincial health budget is spent on the salaries and wages.

R28,9 billion is added to the health budget, mainly to keep about 9 300 healthcare workers in our hospitals and clinics.

It will also be used to employ 800 post-community service doctors, and to ensure that our pharmacies do not run out of medicines.

SOCIAL SECURITY

Hon members, social grants are allocated R284,7 billion in 2025/26 financial year. This allows us to increase:

- The old age and disability grants by R130 to R2 315 in April.

Let me tell you a story. I was walking here in waterfront. And old man comes to me, and he says "Thanks for the R150. But the 150 now is gone, but I do not need VAT."

Because of the reduction in VAT, I have to reduce the R150,00 to R130,00.

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- The Child Support Grant by R30 to R560 per month.
- The foster care grant by R70.
- The COVID19 Social Relief of Distress, SRD, in its current form, will be extended by a year to end March 2026. And R35,2 billion is allocated for this purpose.

Let me correct a myth here, that suggests that I am trying to pause as two alternatives either that or SRD. I did not say that. What I have said is that the SRD was a temporary grant. We have been debating finding a source of funding for it so that it should not continue to crowd out other spending. What we are trying to do is stabilise exactly that. We want to make sure that this grant is not only maintained, but that it does not crowd out other spending.

We go on in this speech and in the previous one that leaked. Same sentence.

As announced by the President in the state of the nation address, the SRD will be used as a basis for the introduction of sustainable form of incoming support for unemployed people.

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The future form and nature of the SRD will be informed by the outcome of the review of the active labour market policy programme.

This is expected to be completed by September 2025.

Madam Speaker, nearly 28 million people beneficiaries will access social grant.

The truth is that it is one of the most comprehensive social safety nets not among emerging economies. This reflects our commitment to address addressing poverty and inequality while keeping our spending sustainable.

In this budget we have also made a provision to replenish the funding for our security functions and peacekeeping commitments.

And R9,4 billion is allocated to fund the defence force and correctional services.

Over the medium term, R5 billion has been allocated to the Department of Defence to support South Africa's participation

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in the Southern African Development Community, SADC, mission in the Democratic Republic of the Congo and to supplement existing peace keeping activities.

We will continue working with the Department of Defence on ways to change the composition of expenditure to modernise the defence force.

Madam Speaker, combating financial crimes and corruption is essential to protecting the integrity of our economy and the institutions that foster stability and social wellbeing.

Funds are allocated for enhancing the financial forensic and accounting capabilities in our law enforcement institutions, to further strengthen our ability to detect and prosecute complex economic crimes.

These efforts address recommendations from the Financial Action Task Force and the State Capture Commission, ensuring that we continue to fight money laundering and the financing of terrorism with urgency and precision.

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There are remaining issues that require work during the year which may require funding later this year. These includes:

Infrastructure projects in the Budget Facility for Infrastructure, BFI, and the rolling stock fleet renewal programme;

- Accommodating population changes that impact on the provincial equitable share allocations;
- Strengthening capabilities in the Office of the Chief Justice, Statistics South Africa and the South African Revenue Service; and we are already attending to it.
- Political party funding and infrastructure provision for royal houses.

BUILDING STATE CAPABILITY

Madam Speaker, our ability to deliver quality public services depends on having a competent, capable and ethical state.

Delivering reliable and sustainable core services is a priority for this government.

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Our focus must remain on more effective and efficient service delivery, and a proper combination between personnel expenditure, operating costs and the maintenance of physical facilities and assets, supported by professional and efficient administration.

BUDGET REFORMS

For over a decade, budgets have been trimmed across the board.

While these measures have helped maintain fiscal discipline, they have often been implemented without a thorough interrogation of whether the funds we allocate truly support our national priorities.

We must acknowledge that over time budgets tend to grow incrementally, often carrying forward historical allocations, without necessarily reflecting the evolving needs of our country.

This approach has led to inefficiencies, misalignments, duplications and, in some cases, the continued funding of programmes that do not yield the intended impact.

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We recognise the urgent need to address this. We are not deaf to the public's concern about wasteful and inefficient expenditure.

We know that we must earn the taxpayer's trust every day, by spending public money with care and ensuring that every rand collected is spent on its intended purpose.

Since 2013, as part of the ongoing evaluation of the operations of government, the National Treasury and provincial treasuries have undertaken 240 spending reviews.

These reviews range from examining efficiencies in administrative functions, like office accommodation, fleet management and so on.

However, we have agreed after a long discussion with colleagues in government, including the President, that we need to focus on this area of spending reviews. And such, train the institutional arrangements that we have and locate the spending reviews in the President's Office. In that sense, incorporated some of that work to the Operation Vulindlela moving forward.

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So, we are going to give that institutional capability.

The consolidated recommendations of these reviews and other things, including this, as I have been together, the President has also undertaken the to do this to take this work together with National Treasury. Thank you for this commitment, Mr President.

As the National Treasury, we are ready to take the lead to improve effectiveness and efficiency of spending.

- We will together with the President undertaken an audit of ghost workers starting in national and provincial departments.
- Use the ongoing, detailed review of labour market activation programmes and public employment programmes to consolidate and rationalise the entire public employment ecosystem. The aim of the review is to reduce duplication and improve operational efficiencies across the more than 100 active labour market programmes in over 20 public institutions. The recommendations of this review will also be presented to Cabinet in due course.

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- The aim of this review is for the Treasury to make a significant change to the budget process by reassessing the original assumptions on which budget allocations are based in order to create scope to improve spending.

Madam Speaker, these reviews go beyond mere cost-cutting measures.

They allow us to systematically assess whether public expenditure is effectively aligned with the priorities of this government, and whether it delivers the best possible value for money and impact for the people of South Africa while keeping us on the path of fiscal sustainability.

These initiatives will give impetus to the slow implementation of the recommendations of spending review.

I call on Ministers, MECs, DGs, HoDs and every official responsible for public funds, to embrace these efforts and play their part.

IMPLEMENTING THE CONDITIONAL GRANT REVIEW

The proliferation of conditional grants has necessitated a review of conditional grants to reduce duplication and improve the effectiveness of programmes.

This budget will implement the first phase of the recommendations of the review and includes merging conditional grants in the basic education and agriculture.

Performance based conditional grants to metropolitan municipalities are also introduced, linked to institutional, governance and financial reforms to improve services.

BUILDING DISASTER RESILIENCE

Madam Speaker, the incentives in our current disaster management system are skewed towards relief and rehabilitation, when mitigation and readiness to minimise damage is the most cost effective response.

Our municipalities stand at the frontline of disaster response, yet they are hamstrung by aging infrastructure, bureaucratic fragmentation, and limited access to emergency funds.

The priority is to reduce the administrative burden to access emergency funds. Every hour of delay costs lives and livelihoods.

Continuous improvements are made to the grant system to incentivise municipalities to access a variety of funding instruments for disasters. These include their own budget, the contingency reserve, conditional grant funding and insurance.

The budget allocates R1,7 billion to respond to future disasters over the medium term, while R4 billion is provisionally allocated to address backlogs in recovery efforts for provinces and municipalities.

STRENGTHENING LOCAL GOVERNMENT

The decline in municipal services is evident across cities, towns and rural villages highlighting the systemic challenges faced by this varying group of municipalities.

As outlined by the President in his State of the Nation Address, phase 2 of Operation Vulindlela, the institutional structure of local government will be reviewed through the updating of the White Paper of Local Government.

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In line with the constitutional principle of funds follow function, the review of the local government fiscal framework will examine how to appropriately finance local government, relative to their functions and their form.

Reforms to the revenue generating services of local government, namely water and sanitation, electricity and refuse removal are underway.

The eight metropolitan municipalities have met the minimum requirements to participate in the financial performance incentive grant, the Urban Development Financing Grant.

Further allocations in the programme are dependent on municipalities meeting specific targets related set out in their performance improvement action plans.

For 2025/26 financial year, this includes critical institutional, governance and management changes to create an enabling environment for long term investment in infrastructure.

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By ring-fencing the revenues from these services, and running operating surpluses, these business units can generate funds for infrastructure improvements to deliver quality and reliable services.

CONCLUSION

Madam Speaker, in conclusion, allow me to reiterate that through the policy choices we have made and the carefully targeted allocations we are proposing, public institutions should be in a better position to continue delivering much needed services to the people.

This budget reflects our collective efforts to chart a path through difficult times to prosperity.

It represents a vision of the future and a realistic assessment of the present, as well as the options available to us right now.

This vision can only be achieved by making difficult but considered policy choices, choices that weigh up the trade-offs and commit to a way forward.

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Hon members, this budget is the product of the combined and careful consideration of the Cabinet of the Government of National Unity, despite some minor disagreements, I must confess, that has done the difficult and necessary work of assessing the alternatives open to us at the current juncture in our growth journey.

Hon members, this budget is also a proposal to you as the Parliament that has been democratically elected to represent the aspirations and interests of all South Africans by confronting the difficult choices needed to move our country forward.

It is in this spirit that I draw on the words of the pan-African leader, Amilcar Cabral, who advised us, he said, and I quote:

Always bear in mind that the people are not fighting for ideas, for the things in anyone's head. They are fighting to win material benefits, to live better and in peace, to see their lives go forward, to guarantee the future of their children.

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The policy choices proposed here are about achieving these material benefits. They are about moving South Africa and all South Africans forward into a better, more prosperous and equitable future.

Speaker, as I close, allow me to express my deepest gratitude to the President and Deputy President for their counsel, their support and for their leadership in particular in this difficult budget.

Thank you also to the Deputy Ministers of Finance and the excellent National Treasury team led by the director-general.

Thank you to the Commissioner of the South African Revenue Service and the Governor of the South African Reserve Bank, for their astute stewardship of these two key institutions.

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

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

To my dear wife and family, your care, understanding and support is a constant source of strength and inspiration. Thank you.

Lastly, thank you to the South African people who continue to entrust their aspirations to us.

And of course, without the support of my wife and my family, it would not be so easy that I could or would survive the endeavour that has been entrusted to us so far or will continue to be entrusted to us.

The SPEAKER: Thank you, hon Minister. [Applause.] Thank you. Can I allow members to take their seats? Hon members, order. We have now heard the Minister tabling the executive statement which is a budget. It is tabled here in the House. Now the task is for you as Parliament to then reflect on this budget through the relevant committees. The papers tabled ... Order! [Interjections.] ... Order! Hon members, order. [Interjections.] Order! Hon members, just ignore the people

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that are going out. Allow me to address you. You have now heard the budget tabled ... [Interjections.] ... Order!

Hon members, you will have your chance to address the media as you go out. But for now, just listen. The budget has been tabled. It is now going to be referred to relevant committees to interact with the budget which allows you an opportunity as public representative to engage with this executive statement. It will then come back for debate in this very House where you will express your views. For now, the House is adjourned, and we thank the Minister for the budget. I request members to stand, ... Order! I request members to stand and wait for the presiding officer and the mace to leave the Chamber. That concludes the business of the day.

The House adjourned at 15:08.