

Budget Speech





Department: National Treasury **REPUBLIC OF SOUTH AFRICA**



BUDGET SPEECH

Check against delivery

Enoch Godongwana

Minister of Finance

19 February 2025



ISBN: 978-1-77997-431-0

RP: 06/2025

For more information:

Communications Directorate National Treasury

Private Bag X115 Pretoria

0001

South Africa

Tel: +27 12 315 5944

Fax: +27 12 406 9055

Budget documents are available at: www.treasury.gov.za

Honourable 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

Honourable, the Deputy President Paul Mashatile

Cabinet Colleagues

Members of the Executive Council for Finance

Honourable Members

Governor of the South African Reserve Bank

Commissioner of the South African Revenue Service

Fellow South Africans

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.

INTRODUCTION

Madam Speaker, allow me to begin by paying tribute to the 14 members of the South African National Defence Force who lost their lives in a peacekeeping mission in the Democratic Republic of the Congo (DRC).

May their families find solace in the fact that they died in service of our country pursuing peace, security and stability in the region.

Recent geopolitical developments remind us that we must work hard to nourish national unity and greater social cohesion, whilst recognising that we are part of a global community.

As such, we must balance openness and autonomy, self-interest and cooperation, expediency and long-termism.

It is in this context that we fully support the National Social Dialogue set to happen later this year. Through this dialogue, we will strive to attain higher levels of social cohesion and develop a common programme to pursue our collective economic and national interests.

Turning now to today's business: the 2025 Budget.

This Budget reaffirms government's commitment to raise living standards and improve our longterm economic prospects by prioritising infrastructure investment, continuing to implement economic reforms and increasing spending to address key service delivery priorities.

This is all while ensuring that we meet our key fiscal objectives to stabilise debt in the upcoming fiscal year and maintain a growing primary surplus.

In this way, the Budget gives expression to the Medium-Term Development Plan (MTDP), which seeks to:

- Drive inclusive growth and job creation
- Reduce poverty and tackle the high cost of living
- Build a capable, ethical and developmental state

ECONOMIC OUTLOOK

Global Outlook

Turning to the global outlook, the International Monetary Fund forecast global economic growth at 3.3 per cent in 2025.

Global trade is expected to weaken from 3.4 per cent in 2024 to 3.2 per cent in 2025.

Rising geopolitical tensions, including the intensification of protectionism, could distort trade flows, disrupt global supply chains and reduce market efficiencies.

The prevailing conditions present risks for small open economies like South Africa.

Domestic Outlook

Domestically, economic growth remains below aspirations.

Real GDP growth is forecasted at 0.8 per cent in 2024. This is lower than the 1.1 per cent growth estimated during the 2024 MTBPS.

The downward revision is due to weaker-than-expected outcomes in the third quarter of 2024.

Over the medium term, however, growth is forecast to average 1.8 per cent.

This outlook is supported by higher investment and household consumption, aided by a stable inflation outlook, moderate employment gains and improving household balance sheets.

FOSTERING FASTER INCLUSIVE GROWTH

The truth is that we need much faster, more inclusive growth and job creation.

To achieve this, our economic growth strategy remains anchored on four pillars.

Honourable Members, let me remind you of these.

Pillar one is about maintaining macroeconomic stability. This promotes stable prices and lower interest rates and enhances the country's resilience to external shocks.

Combined with prudent fiscal policy, this creates a conducive environment for investment.

Pillar two is focused on building state capability, by rebuilding public institutions, boosting productivity, and using digital transformation to improve service delivery.

Allow me to expand on the remaining two growth pillars.

Pillar three is concerned with implementing structural reforms, to remove impediments to growth, and create a solid foundation for a high and sustained economic growth.

Operation Vulindlela, a joint effort between the Presidency and the National Treasury, has been a catalyst in this regard.

Since its establishment in 2020, regulatory changes enabled private sector investments in renewable energy, unlocking billions of Rands in new investment.

OV measures have created a 22,500 mega-watt pipeline of projects with an estimated value of R390 billion.

In data costs, interventions have led to the reduced cost of a 1.5GB data bundle by 51 per cent.

The number of days to obtain a water use license has been reduced from 300 to 90.

To boost tourism, we have introduced an e-Visa for travellers from 34 countries.

These reforms were supported by the passing of new legislation, namely the National Water Infrastructure Agency Act, the Electricity Regulation Amendment Act, and the Economic Regulation of Transport Act.

These Acts have greatly facilitated the crowding-in of private sector investments in key sectors.

Building on earlier successes, Phase 2 of Operation Vulindlela continues to implement the policy and regulatory reforms that were made in the transport, water, energy and visa systems.

These include implementing institutional reforms to improve the management of water resources. We will also focus on strengthening the regulation of water services through the introduction of a licensing regime.

These changes enable new financing opportunities for the construction of dams and pipelines, and in the case of distribution services, will require providers to be licenced to retain water in our taps and to stop leaks.

Phase 2 will also focus on reforms to the electricity distribution industry. The aim is to establish financially and operationally sustainable distribution companies, and to strengthen and expand the national transmission network.

In transport, the priority is implementing the freight logistics roadmap. This includes getting private sector participation and giving non-discriminatory, third-party access, as per the network statement in freight-rail.

Further reforms to attract skills and boost tourism include implementing a remote work visa, expanding the trusted employer scheme, broadening the e-Visa system, and implementing an electronic travel authorisation for tourist visas.

Madam Speaker, Phase 2 will also look at expanding digital public infrastructure.

It will also concentrate on transforming our towns and cities into more inclusive, productive and efficient spaces, and strengthening local government to better the delivery of services.

In terms of local government, reforms to turnaround the water and sanitation, electricity and waste removal businesses in cities include wide-ranging institutional changes. The goal is to create a single point of management accountability and ring-fencing the revenue to increase investment in infrastructure.

Creating dynamic cities to support economic growth and reduce inequality must include reviving commuter rail services. It also entails supporting housing finance by unlocking dead assets through accelerating the issuing of title deeds.

A roadmap for digital transformation will be finalised in the next month, to drive the implementation of a digital identity for secure and remote access to government services, and to establish a data exchange for evidence-based policy making.

Madam Speaker, South Africa's industrial capacity was developed on the back of cheap electricity. The high and rising rates of electricity are having a negative impact on the viability of our industrial base, in particular the smelters.

A committee of 4 Ministers has been set up and will be led by Minister Mantashe, to look into these matters and better understand how the government can work with key industry players to address these obstacles industrial development.

Infrastructure

Let me now turn to pillar four of the growth plan, which encompasses supporting public infrastructure investment through greater private sector participation, capital budgeting reform and alternative infrastructure financing.

During the 2024 MTBPS, I said that the new regulations for public-private partnerships (PPPs) will be finalised.

And ,indeed, these have now been published and will take effect on 1 June 2025.

Under the new rules, projects below R2 billion are exempted from some Treasury approvals, which will accelerate their development.

The role of the PPP unit is being expanded to provide proactive support in planning and procurement. This will lead to projects reaching financial closure faster.

We have clarified the framework for unsolicited bids, and we have also implemented mechanisms to strengthen the governance of fiscal risk.

The new regulations also make provision for national departments to establish sector-specific units PPPs. This is modelled after successful programmes like the Independent Power Producers (IPP) Office, and will allow individual units to manage Public-Private projects within their domains.

Private sector participation (PSP) creates opportunities to optimise the balance sheets of financially distressed state-owned companies.

The Department of Transport and Transnet will, in the next 2 months, 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.

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 operational requirements.

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

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

These will enable the private sector to invest in the expansion of the transmission network.

Alongside reforms to attract private sector participation, the delivery of infrastructure is being accelerated through additional allocations in the budget.

Capital payments – which is money allocated for the purchase or upgrade of long-term assets like buildings, machinery, and equipment - are the fastest-growing area of spending by economic classification.

Over the next three years, public infrastructure spending amounts to more than R1 trillion.

This demonstrates our commitment to leverage infrastructure as the bedrock of economic development, a key source of jobs, and an avenue to scale-up service delivery.

Current infrastructure investment focuses on three critical sectors:

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

The South African National Roads Agency (SANRAL) will spend R100 billion over the medium term.

This is to double the number of kilometres of roads kept in active resurfacing contracts, from 950 kilometres in 2024/25 to 2,000 kilometres in 2025/26. It will also enable them to keep the 24,000 kilometre network in active maintenance.

SANRAL will increase the strengthening and improvement of the network, from 200 kilometres in 2024/25 to 400 kilometres by 2026/27.

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

These projects benefit the construction sector and therefore support our efforts to boost employment.

The construction sector has the highest employment multiplier. Every R1 million spent on a construction project creates more than three jobs for individuals whose highest qualification is a matric certificate.

Construction on the Mkhomazi Project is expected to commence in November 2026, transferring water to the Mngeni Water Supply System. This will increase the total capacity of the system to 5 million households in eThekwini and 4 district municipalities in KwaZulu Natal.

While we have made good progress on our infrastructure reform agenda as I have highlighted.

A key question remains: are we getting value for money out of our investment?

In other words, how do we ensure that our infrastructure is delivered on time, on budget and to specifications. We will focus on this question over the next few months and I intend to make concrete recommendations to Cabinet in this regard by the time we table the MTBPS in October this year.

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

A credit guarantee vehicle will be launched in the first half of 2026, with an initial focus on the transmission pilot projects. Once the vehicle has demonstrated its efficacy, it is expected to broaden its operation to other sectors.

Lastly, we have reconfigured the budget facility for infrastructure, or the BFI, to run multiple bid windows. The BFI provides viability gap-funding for infrastructure projects following an extensive screening process.

Under this new regime, project submissions will be evaluated quarterly rather than annually. Financing decisions to determine the appropriate fiscal mechanism to support projects have been separated from the evaluation and budget processes. This will ensure that there is a continuous pipeline that can be used to mobilise non-fiscal funding. A circular on the new arrangements will be published next week.

Madam Speaker, a key element of rolling out the National Health Insurance is the provision of infrastructure that is reliable and fit-for-purpose.

Currently, several of our hospitals do not meet this threshold.

The move from one to four BFI bid windows will fast track the process of preparing projects for consideration allowing, for instance, upgrades to hospitals to be delivered in a more efficient fashion.

Madam Speaker, we recognise the interconnected nature of these four growth pillars.

Improved state capability enables better infrastructure delivery, which in turn supports structural reforms and macroeconomic stability.

Together, these lay a solid foundation for faster, labour-intensive growth.

FISCAL STRATEGY AND OUTLOOK

Honourable Members, our fiscal strategy remains on track. This Budget reaffirms government's commitment to raise living standards, expand infrastructure investment and stabilise debt.

At the same time, it maintains support for low-income and vulnerable households.

As projected in the 2024 Medium Term Budget Policy Statement (MTBPS), a budget primary surplus of 0.5 per cent of GDP will be achieved in this financial year, and this will more than double in 25/26 to 1.1 per cent. It will eventually reach 2 per cent by 27/28.

In the 2023 and 2024 budgets, we made a commitment to stabilise debt as a per cent of GDP by 2025/26.

Today, we can confirm that government debt will indeed stabilise, at 76.1 per cent of GDP.

Our fiscal gap is also improving.

The consolidated budget deficit will narrow from 5 per cent of GDP in 2024/25 to 4.4 per cent in 2025/26. By 2027/28, we estimate that will have narrowed even further, to 3.4 per cent of GDP.

Madam Speaker, these are important milestones towards achieving our goal of fiscal sustainability.

As a result of our efforts, debt-service costs, which consume 22 cents of every rand of revenue raised, are also coming down. They will peak in the current financial year and continue to decline thereafter.

Our Eskom debt relief arrangements are beginning to bear fruit. Eskom is now in a much better financial position than at the time 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 final R70 billion debt takeover will be replaced with R40 billion in 2025/26 and R10 billion in 2028/29. This will result in a total saving of R24 billion.

To ensure that we maintain the positive momentum towards fiscal sustainability, the debtstabilising primary surplus will continue to anchor fiscal policy over the medium-term.

REVENUE AND TAX PROPOSALS

Madam Speaker, since October, several new and persistent spending pressures in health, education, transport and in security, have emerged.

After careful thought, the government has decided it is necessary to support these pressures in order to properly fulfil our service delivery mandate.

In assessing our options, we were confronted with three choices:

- To either continue to cut funding to essential services that our people depend on.
- Take on expensive debt that would burden future generations,
- Or make strategic tax adjustments to secure our nation's future.

After careful analysis of the trade-offs, we have chosen the most responsible path forward.

We propose to raise the VAT rate by 2 percentage points to 17 per cent – a necessary step that will enable us to:

Fund public sector wage increases for our civil servants

- Expand early childhood development opportunities for our children
- Retain the teachers, doctors, and essential frontline workers that serve our communities
- Revitalise our commuter rail system to better serve working-class families
- Provide above-inflation increases to social grants for our most vulnerable

Madam Speaker, this decision was not made lightly.

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

However, these would generate substantially less revenue while potentially harming economic growth and job creation.

Raising corporate taxes, for instance, will discourage investment and job creation, ultimately yielding less revenue in the long run.

Opting to take on more debt, when our credit rating is currently at junk status, would lead to even higher interest payments, ultimately reducing our future spending capacity and raising the risk of further rating downgrades.

More debt would also push-up interest rates.

That would hurt households paying back loans and businesses looking to expand their operations, dampening investment across the economy.

The VAT increase, by contrast, represents the most efficient and broad-based approach.

It keeps our country competitive with international standards.

It also secures the resources we need to fund social protections and the long-term investments in infrastructure development, investments that promise lasting, future economic returns.

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

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

The steps include:

- Expanding the basket of VAT zero-rated food items to include tinned vegetables, dairy liquid blends, and variety meat products from sheep, poultry, goat and swine.
- Extending fuel levy relief for another year, saving consumers around R4 billion.
- Providing social grant increases that are significantly above inflation.
- And adjusting personal income tax brackets to protect lower-income earners.

Other tax proposals include partial adjustment of the remaining income tax brackets. No changes will be made to medical tax credits, and above-inflation increases on alcohol and tobacco excise duties.

Taken together, the tax measures announced today will generate R58 billion in additional revenue for 2025/26, while maintaining a fair balance between fiscal responsibility and social protection.

For pension reforms, the National Treasury will continue engaging in NEDLAC on the twopot pension system, to investigate whether provisions can be made for workers losing their jobs to access funds from the retirement pot.

Honourable Members, governance and leadership is about making difficult choices in service of the greater good. It is about navigating between competing objectives and managing difficult trade-offs.

The strength of our democracy lies not in avoiding difficult choices, but in making them together, guided by our commitment to building a more prosperous and equitable South Africa.

Our strength also lies in the continued commitment of our citizens to play their part. Tax compliance is a key facet of responsible citizenship, and as a government, we do not take this for granted. We understand that it is not just a legal obligation but rather, a commitment to our shared prosperity.

Every rand collected goes directly toward this goal of building a more equitable society.

I want to thank all South Africans who continue to pay their taxes.

SPENDING PRIORITIES

Madam Speaker, we accept that the best way to win the confidence and trust of society is to deliver on basic services.

This means trains that arrive on time. Patients do not spend hours queuing in hospitals before they are treated. It means classrooms that are places where young minds are nurtured with the care and attention they deserve.

We acknowledge that correcting the legacy of underdevelopment must be matched with sensible, efficient and transparent spending.

Taxpayers must get value for their money.

We strive daily to improve how we deploy public resources.

Reforms to the budget process are underway to eliminate inefficiencies, waste and duplication. This will be supported by spending reviews to ensure programmes are effective, economical and maximise value for money.

Madam Speaker, the 2025 Budget includes a net increase of R173.3 billion in non-interest expenditure over the next three years. This spending increase is funded entirely by the tax revenue measures we are announcing today.

The main spending additions are for infrastructure investments, social protection, and provisional allocations for critical frontline services:

- R46.7 billion is allocated for infrastructure investments. This includes urban rail revitalisation, projects evaluated in the BFI in health, water, transport and student housing, and for financial incentives to promote the turnaround of trading services in metropolitan municipalities.
- R19.1 billion is directed to education, to keep 11 000 teachers in classrooms.
- R10 billion is allocated to expand access to early childhood development services.

- R9.4 billion is to fund the defence force and correctional services.
- R8.1 billion is allocated for an additional 3 668 personnel in Home Affairs. This money will be used for the digitisation project that employs 2 000 young people. It will also be used to improve our efforts by the Border Management Authority to curb illicit trade and illegal migration.
- R28.9 billion will be spent on health, mainly to keep about 9 300 healthcare workers in our hospitals. It will also be used to employ 800 post-community service doctors, and to ensure that our pharmacies do not run out of medicines.

Honourable Members, spending on social grants is allocated an additional R23.3 billion. This is to ensure that low-income households are not left worse-off by the increase to the VAT rate.

The old age and disability grant will increase by R150 to R2 340 in 2025. This is split into R140 increase in April and a R10 increase in October.

- The Child Support Grant will increase by R50, an increase of 9.4 per cent to R580 per month.
- The foster care grant increases by R80.

An additional 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 R7.8 billion per year over the medium to long term. The savings will be retained by departments.

The COVID19 Social Relief of Distress (SRD), in its current form, will be extended by a year to end March 2026. R35.2 billion is allocated for this purpose.

As announced by the President in the State of the Nation Address, the COVID 19 SRD will be used as a basis for the introduction of a sustainable form of income support for unemployed people.

The future form of the COVID 19 SRD will be informed by the outcome of the review of active market programmes.

This is expected to be completed by September this year.

The apprenticeship and skills development levy systems will also be reviewed.

In collaboration with the private sector, our goal is to double the number of artisans completing trade tests in the next three years through increased work-based learning opportunities.

This will contribute to the mid-level skills required for the economy to grow.

Honourable Members, I am sure you would agree that our long run success as a country depends on our willingness to invest in early childhood development, which is the foundation of nurturing well-rounded citizens able to participate productively in social life and the economy.

Since 2019, our ECD subsidy has remained flat, at R17 per day. The approximately 42 000 ECD centres across the country are insufficient to cater for the developmental needs of our children.

This budget allocates R10 billion to increase the daily subsidy amount per child, to R24 per day.

It also provides for about 700 000 more children, up to the age of four years old, to access the early childhood development services.

Many years from now, this necessary step will be recognised as a key investment in the future of our country.

Madam Speaker, a three-year wage agreement has been reached.

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.

Although the agreement exceeds the 2024 Budget and MTBPS projections, its duration reduces uncertainty in budget planning.

We have also made provision to replenish funding for our security functions and peace-keeping commitments.

Over the medium term, R5 billion has been allocated to the Department of Defence to support South Africa's participation in the Southern African Development Community (SADC) mission in the DRC and to supplement existing peace keeping activities.

Madam Speaker, as earlier mentioned we are committed to strengthen our revenue services. In this regard, R3.5 billion is allocated to South African Revenue Service over the medium term to modernise ICT systems to enhance revenue collection and improve tax compliance well into the future.

SARS will focus on utilising these new technologies to assess and reduce the tax gap, including illicit financial flows, while making it easier and more efficient for businesses to trade through our borders and comply with their tax obligations.

Madam Speaker, the gradual success of the Passenger Rail Agency of South Africa (PRASA) is a testament to what consistent reform, and critically, dedicated leadership, can achieve.

The National Development Plan explicitly recognizes that transforming our spatial landscape is crucial to tackling poverty and inequality.

Our citizens face some of the world's longest commute times and highest transport costs, significantly reducing worker productivity.

Commuter rail offers the most effective solution to this challenge - it can dramatically increase mobility while reducing transport costs for poor households, freeing up their income for other essential needs.

Moreover, it provides an environmentally sustainable transport solution for our future. It is for this reason that improvements in PRASA are critical.

To sustain this progress, we have provisionally allocated R19.2 billion over the medium term to PRASA for critical signaling upgrades.

This will enable entity to achieve 10-minute train headways across all regions, maximizing the potential of the 241 new trains delivered through the rolling stock renewal programme.

Total spending on public transport over the medium term is R206.1 billion.

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

- Infrastructure projects in the 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

Political party funding and infrastructure provision for royal houses.

DIVISION OF REVENUE

Over the medium term, 48.5 per cent of non-interest expenditure is allocated to national government, 41.9 per cent to provincial government and .9.6 per cent to local government.

The division of revenue makes R2.95 trillion available to provinces and municipalities over the medium term. The recommendations of the conditional grant review which make up a proportion of subnational funding include reforms to enhance the effectiveness, equity and sustainability of the conditional grant system.

The implementation of the recommendations will be staggered over the medium term and include merging various conditional grants across sectors.

Local government

The local government equitable share will increase from R99.5 billion in 2024/25 to R115.7 billion in 2027/28. The allocation is based on the equitable share formula designed to address demographic and developmental considerations. For the 2025 budget, the formula is updated to include the revised costs for bulk services and electricity.

Madam Speaker, we ran the Budget tips and received 2 066 tips from the public. These provided useful suggestions and some were inspiring.

Nomfundo Jajula from Mthatha in the Eastern Cape advises that municipalities must "prioritise spending for essential expenses". She also suggests municipalities "increase revenue" and "explore ways to generate additional income".

I cannot overstate how important her observations are for local government.

Municipalities continue to face spending and revenue pressures which worsen inequities in development and service delivery. There is growing reliance on intergovernmental transfers, which now account for over 70 per cent of municipal budgets in many cases.

This budget includes the first phase of merging urban development grants and creating a strong performance-based component for metropolitan municipalities.

Participation in the grant is subject to municipalities submitting council approved turnaround strategies for their water and electricity business.

Two municipalities will not be eligible for the performance component in the first round for failing to meet the minimum requirements.

Madam Speaker, this performance-based component takes us to a new frontier for municipal performance.

It not only strengthens oversight and accountability in government, but also gives residents an opportunity to hold their councils accountable for foregoing revenue to support increased investment in infrastructure.

Municipal Debt

Water provision is not our only challenge. The ongoing municipal debt crisis threatens to plunge our communities into darkness.

Currently, 47 municipalities continue to default on their Eskom payments, even after receiving debt relief. This is simply unsustainable.

Yet there is hope.

Since the MTBPS in October, where compliance with debt conditions by municipalities had risen to 76 per cent, 11 more municipalities have now had one-third of their debt written off after meeting the conditions of the programme. 3 additional municipalities are due for relief.

To municipalities still struggling, our message is clear: implement cost-reflective tariffs, target free basic services to those truly in need of them, embrace smart technology such as smart prepaid meters to improve revenue collection.

But municipalities cannot succeed alone. We need every South African - from ordinary citizens to government departments - to honour their obligations and pay for services rendered. We must put an end to the behaviour of non-payment.

Disaster Risk Financing

Madam Speaker, South Africa faces increasing climate-related disasters, but our current disaster management system is not fit for purpose. Resilience is weak, mitigation and readiness are inadequate to minimise damage, and all our efforts are focussed on response, after the event takes place.

Our municipalities stand at the frontline of disasters, 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.

National Treasury's survey of municipal responses to disasters indicates that budget reprioritization and contingency reserves are the first line of defence for dealing with disaster risks.

The financing strategy aims to give municipalities access to a variety of funding instruments for disasters. These include their own budget, the contingency reserve, conditional grant funding and insurance.

In addition, it introduces flexibility and immediacy of procuring for mitigating against disasters.

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.

CONCLUSION

In conclusion Madam Speaker, it is important to reiterate that through the policy choices we have made and the carefully targeted allocations we are proposing, public institutions and entities should be in a better position to continue delivering services.

Economic and industrial development, service delivery, equity in international affairs, all these rely on making our institutions work.

When these institutions are truly functional and delivering quality services, they unlock human potential across all segments of society.

The national budget is a key tool for strengthening these institutions through direct funding for public services and infrastructure.

This is what we strive to achieve in this budget.

Madam Speaker, our G20 Presidency is now well underway.

This week the Honourable Minister of International Relations, Mr Ronald Lamola, hosts his counterparts in Johannesburg for the First Foreign Ministers' Meeting.

Next week is my turn, as I welcome my colleagues for the First Finance and Central Bank Deputies and Ministerial Meeting.

The values core to our country, of redress, justice and equality in economic relations will be put to the test and our G20 Presidency is a unique opportunity to demonstrate the practicality of these ideals and to fight for their universal application no matter our personal and national interests.

Under the theme of Solidarity, Equality, and Sustainability, our G20 Presidency reflects the essence of South Africa's vision for global leadership.

Building on our successful hosting of the 2023 BRICS Summit, which delivered an expansion of the bloc, we will deepen our long-held belief that inclusive multilateral platforms remain the best avenue for the cooperation needed to address conflict, insecurity and growing inequality.

On the same note, allow me to wish good luck to our candidate for the presidency of the African Development Bank, Ms Swazi Tshabalala. She is the only female candidate for what is a key role in advancing the economic development and transformation of the continent.

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.

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.

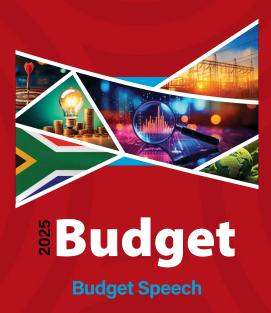
Thank you to my Cabinet colleagues, the Ministers' Committee on the Budget, and the Budget Council, who share the heavy load of the tough decisions that we must make to maintain the sustainability of our public finances.

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 each and every South African.

ENDS



Private Bag X115, Pretoria, 0001 | 40 Church Square, Pretoria, 0002 | Tel: +27 12 315 5944 | Fax: +27 12 406 9055 | www.treasury.gov.za



Department: National Treasury REPUBLIC OF SOUTH AFRICA