

END-TERM REPORT

**STRATEGIC
PLAN**

.....
NATIONAL TREASURY

2020/25



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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EXECUTIVE AUTHORITY STATEMENT

Section 216 of the Constitution of the Republic, supported by the Public Finance Management Act and the Municipal Financial Management Act, clearly defines the obligations of the National Treasury. The department's impact statement set out in the 2020 – 2025 Strategic Plan “improved living standards” is in support of these constitutional and legal responsibilities.

With this impact statement in mind, the National Treasury had set a three-pillared strategy. The first was to achieve sustainable public finances which reflects the department's commitment to restoring fiscal prudence. The determination to ensure sustainable public finances puts South Africa in a stronger position to withstand unforeseen shocks, while creating an environment conducive to higher investment and accelerated economic growth. It also enables the government to prioritise investment over debt service.

The second pillar was to ensure sound financial controls and management of public finances across the public sector. Effective financial controls and management of public finances are crucial for minimising unauthorised, irregular, and wasteful spending, while also promoting efficient and cost-effective procurement within government. This was aimed at ensuring the efficient, economic, effective, and transparent use of financial and other resources, including state assets, to enhance service delivery. This effort supported transparent and effective management of state procurement and responsible stewardship of government assets and resources.

The third pillar was to advocate coherent economic policy. This was done through providing sound policy advice on the economic environment in relation to the national imperatives of economic growth and job creation.

Despite facing significant challenges, the South African economy showed resilience during the reporting cycle. The National Treasury's commitment to sound fiscal policy and reform yielded positive results, although economic growth remained modest. In 2023, GDP grew by just 0.6%, primarily due to ongoing electricity shortages and major delays in freight rail and port operations. These issues, rooted in historical structural weaknesses, continue to constrain economic growth, which has averaged only 0.8% annually since 2012. Government maintained fiscal discipline and advanced a broad reform agenda with notable progress made in legislative and regulatory reforms, aimed at removing barriers to growth and improving governance, especially within key State-Owned Enterprises (SOEs). To drive long-term recovery, government prioritised reforms in the energy and logistics sectors and took steps to rebuild state capacity. The country successfully prepared for and held a peaceful and fair election in May 2024, underscoring South Africa's democratic resilience. Although economic growth remains constrained, continued reform and focused investment in key sectors lay the groundwork for future stability and development.

In an effort to improve the efficacy of public infrastructure investments, various policies and regulatory reforms were initiated during this administration. These reforms complemented the energy, transport and water sectors to build the foundation for increased investments. Within its mandate, the National Treasury published revised regulations for Public-Private Partnerships (PPPs) for public comment aiming to scale up the use of PPPs. This initiative is designed to share

risk in introduced projects, including hospitals, roads, bridges, and rail. A special Budget Facility for Infrastructure (BFI) window was introduced to pilot two critical reforms: project evaluation outside of the budget process and unhindered infrastructure financing from the traditional mechanisms that were used to fund the operational aspects of the public service infrastructure budget.

A new tax incentive was introduced for both companies and individuals investing in rooftop solar panels, encouraging greater use of renewable energy. An indirect grant was allocated to support municipalities in rolling out smart electricity meters. This aimed to improve billing accuracy, service delivery, and energy efficiency. It complements relief measures that were put in place to curtail municipal debt to Eskom and targets municipalities that are already in five of the six debt-relief programmes. These initiatives will support improved energy provision, better municipal performance, and the integration of renewable energy to meet growing consumer demand. Furthermore, the department continued to enhance the ability of cities and metros to make sustainable contributions to economic development and generate tax revenue. This was done by implementing catalytic infrastructure projects through initiatives such as the neighbourhood development programme, among others.

During the period under review, National Treasury also implemented a series of reforms aimed at improving municipal performance and accountability, particularly in the context of disaster risk financing. The department also finalised a report on the Disaster Risk Financing Strategy, which incorporated findings arising out of a survey of 40 municipalities most affected by disasters. This review highlighted significant delays in grant disbursement, challenges in grant utilisation, and the need for improved clarity and administration of disaster-related grants. The department also finalised a report on the conditional grants review, which included performance incentives for infrastructure grants and introduced reform incentives to public utilities to encourage better performance. The findings and reform proposals were taken through the various bilateral meetings for endorsement and implementation in the 2025 MTEF. Additionally, several National Treasury grants have been reformed, including the creation of a new grant to drive the metro trading services reform.

Government introduced new measures to improve water and sanitation planning, while enhancing municipal infrastructure financing through policy and legislative reforms. A new requirement now mandates the use of the Department of Water and Sanitation's assessment report results in the allocation of all conditional grants for water and sanitation. This data-driven approach aims to ensure needs-based resource allocation and improved service delivery. The National Treasury continued to refine policies that promote private sector participation in municipal infrastructure development. To establish an unambiguous, fair and consistent basis through which municipalities can recover development charges for all land development projects that require statutory approvals through the municipal land use planning system, amendments to the Municipal Fiscal Powers and Functions Act (2007) began in 2023/24. These amendments are aimed at regulating how development charges are levied. Development charges are one of the key financing instruments for the provision of strategic infrastructure that has the potential to accelerate economic growth.

Through private and public financiers, the credit market has not been used optimally to address increasing infrastructure investment backlogs. The updated Municipal Borrowing Policy Framework complements the use of development charges as a means for infrastructure financing. Strategies to implement the updated framework, spanning over the long term with

some short-term and medium-term interventions, include capacity-building and stakeholder support for implementing initiatives to enable municipalities to produce pipelines of bankable projects and access financing. Furthermore, National Treasury has initiated interventions to assist municipalities in accessing long-term financing, the first initiative is the creation of guidelines to assist municipalities in understanding alternative financing mechanisms.

South Africa assumed the G20 Presidency on 1 December 2024 under the theme of “Solidarity, Equality, and Sustainability”. It is the first African country to preside over the G20 since the forum was elevated to Leaders or Heads of State level in 2008. South Africa’s Presidency maintains a strong focus on challenges facing emerging markets and developing countries, especially on the African continent. To affect this ambition, South Africa is advocating for the G20 to commit to increasing its efforts to implement the G20 Common Framework for Debt Treatments as well as reviewing the impediments to growth and development in Africa. The work to be undertaken focuses on strengthening institutions, addressing macroeconomic vulnerabilities, infrastructure development and on the cost of capital.

The strategic plan end-term report demonstrates that the department has successfully achieved the outcomes that were set at the beginning of the five-year planning cycle. This attests to the dedication, commitment and professional endeavors of the National Treasury team who have worked tirelessly often under difficult circumstances to deliver on our mandate and fulfill our obligations.



ENOCH GODONGWANA, MP
MINISTER OF FINANCE

ACCOUNTING OFFICER STATEMENT

This was no ordinary term, this period will be marked in the annals of history for the unprecedented impact of the COVID-19 pandemic, which disrupted economies and societies across the globe. For South Africa, longstanding economic challenges were further deepened by the necessary containment measures implemented to manage the health emergency. It will also be remembered as a period of great courage and conviction as South Africans endured the social and economic devastation brought by the pandemic. Throughout this period, there was a shared and unwavering conviction that the wellbeing of all citizens must remain the highest priority. Social partners united with government to respond to the urgent needs of those most affected by the pandemic, working collaboratively to design and deliver a comprehensive package of support measures. This collective effort demonstrated the strength of partnership and solidarity in the face of an unprecedented national crisis.

For the National Treasury, this has been a period of tireless effort, marked by an extraordinary expansion of the budget process to secure and manage COVID-19 support measures. Despite the extraordinary demands of the pandemic, the department remained steadfast in its broader mandate working to catalyse economic growth, safeguard the fiscal framework, address structural constraints, restore investor confidence and public trust, reduce policy uncertainty, and lower the cost of doing business. These efforts reflect Treasury's commitment to building a more resilient, inclusive, and sustainable economy, even in the face of significant adversity.

Economic recovery in the wake of the COVID-19 pandemic slowed marginally with a decrease in growth globally from 3.5 per cent in 2022 to 3.3 per cent in 2023. This was due to persistent and broadening inflationary pressures, geopolitical tensions in Eastern Europe and the Middle East, and China's economic slowdown. Elevated energy costs in Europe and heightened uncertainty in global oil markets placed pressure on households and businesses globally. Governments continued to implement a range of measures to counter the burden on their citizens. These interventions came at a significant cost, limiting the scope for other public spending and, importantly for emerging economies and investment. Rising inflation was also driven by ongoing disruptions in supply chain processes. This was exacerbated by persistent tightness in labour markets in advanced economies, which, in turn, added to wage pressures. China's economy faced significant headwinds in 2023/24. Central banks across the world responded with rapid and synchronised tightening of their monetary policies. This led to continued appreciation of the US dollar against most other currencies and exacerbated challenges for emerging economies, such as South Africa, with significant external debt denominated in US dollars.

Despite the constrained economic environment, the National Treasury continued to fulfil its constitutional mandate and legislative obligations. In 2023/24, the department, with fortitude, implemented the strategy of stabilisation, recovery and reconstruction. This included ensuring fiscal sustainability, monitoring the use of scarce public resources by spending agencies and coordinating fiscal relations between the three spheres of government. Sound budgetary planning at the provincial and local government levels was encouraged and supported through capacity-building initiatives aimed at enabling prudent financial practices. The department continued to deliver on its programme of conducting relevant research to inform policy making.

This included analyses of monetary and exchange rate policies in support of competitiveness, price stability and economic growth relevant to global and financial market trends. Research and analytical support were provided to the policy process on addressing inequality, industrial policy, competition and regulation policy, as well as energy and just transition actions. As part of overseeing and implementing South Africa's macroeconomic policy framework, the department analysed and monitored macroeconomic trends and the policy framework to support sustainable economic growth. Appraisals were given on submissions to the International Trade Administration Commission.

Government transformed its approach to public-sector infrastructure by creating the conditions to attract private-sector participation. The changes focused on improving project preparation, strengthening partnerships and exploring alternative financing mechanisms. National Treasury has commenced with streamlining the project preparation support, transaction advice for Public-Private Partnership (PPP) projects and ringfenced financing from government borrowing in a single structure. This unified approach will bring together the PPP office and Capital Projects Appraisal Unit in the Government Technical Advisory Centre (GTAC) and the capabilities in the Infrastructure Fund located in the Development Bank of Southern Africa. The consolidation of project preparation and financial structuring functions will strengthen planning and preparation, helping large-scale projects and programmes to reach financial close faster.

In addition, the National Treasury will make greater use of financial instruments such as dedicated bilateral loans, concessional financing and infrastructure bonds to fund large infrastructure projects. Engagements with the private sector, including sourcing technical skills and facilitating contracting arrangements, will underpin delivery.

The Budget Facility for Infrastructure (BFI) supports quality public investments by improving the planning, technical assessment, budgeting and execution of large infrastructure projects. The facility helped build a pipeline of projects that have undergone rigorous technical analysis and ensured that the budgeting and commitment of fiscal resources was transparent. In the 2024 BFI Special Call for Proposals, the Infrastructure Fund partnered with project sponsors to package 10 blended finance projects. The estimated total project cost for the 10 projects is R43.5 billion with R21 billion expected to come from the private sector, a total of R17.1 billion being requested through the BFI and the remainder being contributed by the project sponsors

The Pension Funds Amendment Act (31 of 2024) was signed into law by the President in July 2024. This ushered in the last part of the significant amendments required to implement the two-pot system. The main intention of the two-pot system reform was to improve South Africa's retirement outcomes for members at retirement through the preservation of a larger portion of the retirement savings. At the same time, allowing some measured access in cases of financial distress without a member having to resign from employment.

The new two-pot retirement system creates a more sustainable retirement fund system, while increasing flexibility to cater to the differing needs of members. The system provides a mechanism for people in real crises to access emergency funds without resorting to loan sharks or having to quit their jobs to access their retirement savings, while ensuring a larger portion of those savings are preserved until retirement.

The Public Procurement Act, 2024 (Act No. 28 of 2024) was approved by the President and published as an Act in the Government Gazette on 23 July 2024. The President will bring the provisions of the Act into operation through a proclamation in the Gazette. Section 69 of the Act

enables the President to bring the provisions into operation on different dates (phased approach) and to determine different dates for different categories of procuring institutions such as national and provincial departments, national and provincial public entities and municipalities and municipal entities. The Act also allows for the repeal or amendment of different provisions of a law to be brought into operation on different dates. Many provisions of the Act require regulations before the accompanying provisions of the Act could be brought into operation. The process of drafting regulations involves consultation with affected Ministers, SALGA, the public and Parliamentary scrutiny as outlined in section 64 of the Act.

Working in collaboration with other government departments and agencies, the National Treasury continues to lead efforts to strengthen South Africa's anti-money laundering and counterterrorism financing system, following the country's greylisting by the Financial Action Task Force (FATF) in February 2023. As of June 2025, South Africa has successfully addressed all 22 action items outlined in the FATF Action Plan. In recognition of this progress, the FATF has scheduled an on-site visit to South Africa in July 2025 to verify the implementation of the reforms and assess the sustainability of the measures taken. Importantly, the necessary political commitment remains firmly in place to support and maintain these reforms. South Africa is expected to be removed from the FATF Greylist by the end of October 2025, marking a significant milestone in restoring international confidence in the country's financial regulatory framework.

Climate-related disasters are occurring with increasing frequency and severity, with correspondingly larger effects on lives and livelihoods. Methods previously developed by the public and private sectors to manage disaster response and recovery are becoming unrealistic in terms of their costs. The financing of disaster relief depends heavily on budget allocations through funding mechanisms for unforeseeable and unavoidable events. Government is exploring options for purchasing insurance for certain events where such a practice would not undermine budget sustainability. The National Treasury is reviewing how disaster emergency funding is accessed and disbursed by municipalities. The review will include recommendations on different options for national government to manage risk depending on the frequency and severity of shocks such as fires, floods and drought. It will also examine the rationale for establishing a risk-pool arrangement at subnational level as a cost-effective way to respond to shocks.

Cities are the engine of economic growth in South Africa. Two-thirds of South Africa's economic activity took place in the 8 metros in which 6 out of every 10 people lived. These 8 cities played a critical role in supporting and generating jobs, investment and inclusive economic growth.

Reliable and quality electricity, water, sanitation and solid waste services (trading services) in South Africa's cities are essential in supporting the new administration's strategic priorities of inclusive economic growth, reducing poverty and tackling the high cost of living, and a capable, ethical and developmental state.

Through private and public financiers, the credit market has not been used optimally to address increasing infrastructure investment backlogs. The updated Municipal Borrowing Policy Framework complements the use of development charges as a means for infrastructure financing. Strategies to implement the updated framework, spanning over the long term with some short-term and medium-term interventions, included capacity-building and stakeholder support for implementing initiatives to enable municipalities to produce pipelines of bankable projects and access financing. Furthermore, National Treasury has initiated interventions to assist municipalities in accessing long-term financing, the first initiative is the creation of

guidelines to assist municipalities in understanding alternative financing mechanisms. Secondly, the department will host a Creditworthiness Programme with a number of secondary municipalities to capacitate them to make informed decisions in preparing projects and accessing long-term financing.

National Treasury has also identified initiatives for policy-based loans, mainly from development finance institutions and multilateral development banks. These have developmental outcomes attached to them for various policy initiatives such as the just energy transition process. Funds from these loans are deployed through local government conditional grants with developmental objectives attached to the financing. Part of the initiatives identified in the policy-based loans included enhancing the operational performance of municipalities in the power distribution sector. To this end, a Smart Meters Grant for municipalities to purchase Smart Meters was enacted through the 2024 Division of Revenue Act.

The department continued to provide support to metros for selected projects in the areas of economic development, human settlements, public transport, climate resilience, infrastructure and fiscal reforms. The Metro Trading Services Reform has been incorporated as an anchor reform in Phase 2 of Operation Vulindlela. The design of the grant has been finalised and the loan negotiations with the World Bank have progressed to negotiations during four design missions. The National Treasury has secured funding through the 2025/26 budget process for the reform in the MTREF. The Metro Trading Services Reform design was completed in 2024/25, and implementation begins in 2025/26. Four Guidance Notes and a Municipal Budget Circular have been issued by the National Treasury to guide metros to prepare their documents for participation in the reform. Water and sanitation services from six metros and a further six metros' electricity services had qualified in 2024/25 to participate in the first year of the reform. Participating metros presented their draft Performance Improvement Action Plans to the MFMA Mid-Year Budget Review (MYBR). These plans will accompany municipal budgets submitted for Council approval.

A total of 86 project preparation initiatives were approved for 8 metros in 2024/25 financial year. These projects will span multiple years to support the preparation of capital works. In the next financial year, the Neighbourhood Development Partnership Programme (NDPP) will extend support to intermediate municipalities with programme and project preparation support. The objective is to support the targeted municipalities to develop a pipeline of investment ready capital programmes and projects through establishing and institutionalising an effective and efficient system of programme and project preparation as well as facilitate long term programmes and projects that will attract private investment and assist Intermediate municipalities.

South Africa aims to capitalise on its G20 Presidency in 2025 to champion an Africa-focused global agenda, emphasising the continent's priorities in global discussions and ensuring that African perspectives are represented in shaping international policies. The theme for South Africa's G20 Presidency is Solidarity, Equality, Sustainability. The theme guides the priorities of the Working Groups in both the Sherpa and Finance Tracks and informs the High-Level Deliverables of South Africa's G20 Presidency.

Not only did the department delivered on its constitutional mandate and legislated obligations in the period under review but also undertook significant initiatives that further strengthen the institutions capacity, capabilities, resilience and good management. Thank you to the executive leadership for their guiding counsel and to the National Treasury staff for their unwavering dedication, commitment and professionalism.



DR DUNCAN PIETERSE

DIRECTOR-GENERAL: NATIONAL TREASURY

PART A: OUR MANDATE

1. CONSTITUTIONAL MANDATE

The National Treasury's legislative mandate is based on Chapter 13, Section 216(1) of the Constitution, which calls for the establishment of a National Treasury to ensure transparency, accountability and sound financial controls in the management of the country's public finances.

2. LEGISLATIVE AND POLICY MANDATE

This role is further elaborated in the Public Finance Management Act (PFMA) (1999). The department is mandated to promote the national government's fiscal policy and the coordination of macroeconomic policy; ensure the stability and soundness of the financial system and financial services; coordinate intergovernmental financial and fiscal relations; manage the budget preparation process; and enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities, public entities and constitutional institutions. Accordingly, for the period under review the National Treasury's legislative and other mandates remain applicable.

The National Treasury mandate is further elaborated in the Municipal Financial Management Act, 56 of 2023, Section 5(2), monitoring of municipal budgets, promote good budgets and fiscal management by municipalities, accounting and reporting, monitor, support and assess compliance and investigate any system of financial management and internal control in municipalities and municipal entities. The mandate extends to issuance of regulations on all aspects of the Municipal Financial Management Act, which includes investments, borrowing, budgeting, accounting, assets, reporting, competencies, expenditure and cost containment, supply chain, public private partnerships, financial misconduct and criminal procedures, amongst others.

3. INSTITUTIONAL POLICIES AND STRATEGIES GOVERNING THE FIVE-YEAR PLANNING PERIOD

- Tax Administration Laws Amendment Act 2012 (Act 21 of 2012)
- Taxation Laws Amendment Act 2012 (Act 22 of 2012)
- The Adjustments Appropriation Act 2012 (Act 17 of 2012)
- The Appropriation Act 2012 (Act 7 of 2012)
- The Credit Rating Services Act 2012 (Act 24 of 2012)
- The Development Bank of Southern Africa Act 1997 (Act 13 of 1997)
- The Division of Revenue Act

- The Division of Revenue Amendment Act
- The Intergovernmental Fiscal Relations Act, 1997 (No. 97 of 1997)
- The Provincial Tax Regulation Process Act, 2001 (No. 53 of 2001)
- The Borrowing Powers of Provincial Governments Act, 1996 (No. 48 of 1996)
- The Municipal Fiscal Powers and Functions Act, 2007 (No. 12 of 2007)
- The Municipal Fiscal Powers and Functions Amendment Act, 2024 (No 4. of 2024)
- The Financial Intelligent Centre Act 2001 (Act 38 of 2001)
- The Financial Advisory and Intermediaries (FAIS) Act 2002 (Act 37 of 2002)
- The Financial Markets Act 2012 (Act 19 of 2012)
- The Financial Sector Regulation Act 2017 (Act 9 of 2017)
- The Land and Agricultural Development Bank Act 2002 (Act 15 of 2002)
- The Lotteries Act 1997 (Act 57 of 1997)
- The Lotteries Amendment Act 2013 (Act 32 of 2013)
- The Municipal Finance Management Act 2003 (Act 56 of 2003)
- The National Credit Act (NCA) 2005 (Act 34 of 2005)
- The National Gambling Act 2004 (Act 7 of 2004)
- The Public Investment Corporation Act 2004 (Act 23 of 2004)
- The Public Finance Management Act 1999 (Act 1 of 1999)
- The Rates and Monetary Amounts and Amendment of Revenue Laws Act 2012 (Act 13 of 2012)
- The South African Revenue Service Act 1997 (Act 34 of 1997)
- The South African Reserve Bank (SARB) Act 1989 (Act 90 of 1989)
- The Tax Administration Act 2011 (Act 28 of 2011)

PART B: STRATEGIC FOCUS

1. VISION

The National Treasury's vision is a South Africa with inclusive economic growth, a sustainable fiscus and accountable public financial management that will improve the standard of living for all South Africans.

2. MISSION

As custodians of the nation's financial resources, we oversee the management of public finances, maintain the stability of the macro-economic and financial sectors and ensure the effective financial regulation of the economy. We aspire to excellence in the quality of our analysis, professionalism in advice and innovation in execution.

3. VALUES

We are guided by a core set of values:

- Integrity – to do the right thing by holding ourselves to exemplary ethical standards.
- Professionalism – maintaining the highest quality, accuracy and reliable standards.
- Accountability – responsible for the decisions, action and the work done.
- Consultation – we believe in consulting within and outside our organisation.
- Transparency – maintaining public trust, fostering effective governance, accessible and reliable.

PART C: MEASURING OUR PERFORMANCE

1. 2020-2025 IMPACT STATEMENT

1.1 Progress made towards achievement of the impact statement “improved living standards”

The COVID-19 pandemic significantly strained public resources, leading to an unprecedented expansion of the budget deficit and a sharp increase in the level of debt. Moreover, the combination of escalating global monetary policy rates and inflationary pressures, resulted in a rise in average weighted funding costs. Government debt as a percentage of GDP rose to 76.9 per cent of GDP in 2024/25 and is forecasted to rise marginally more before beginning to decline, while debt service costs rose to 21.3 per cent of revenue in 2024/25.

Government has re-emphasised its unwavering commitment to fiscal sustainability and economic resilience. A notable milestone was the achievement of a primary budget surplus in the 2023/24 fiscal year, the first in 15 years highlighting the success of ongoing fiscal consolidation efforts, this achievement was repeated in 2024/25. Social protection remained a cornerstone of government spending, with over 60% of consolidated non-interest expenditure having been allocated to the social wage. This reflects the administration’s commitment to reducing inequality, supporting vulnerable populations, and fostering social stability.

Infrastructure investment has been another key focus, with payments for capital assets exceeding R116 billion in 2024/25. The growth in this line item underscored the government’s determination to drive economic growth, create jobs, and modernise public infrastructure, positioning the country for sustained long-term development.

The government remained committed to its strategy to support the economy, stabilise the public finances and protect the social wage. The government’s strategy for economic growth and development has been built on four key pillars:

Providing a Stable Macroeconomic Framework to Support Growth

A sound macroeconomic framework promotes stable prices and lower interest rates and manages macroeconomic imbalances, enhancing the economy’s resilience to external shocks which tend to disproportionately affect the poor and vulnerable. This pillar focused on stabilising debt and debt-service costs, anchored by a debt-stabilising primary budget surplus over the medium term. Capital investment was prioritised to grow faster than consumption expenditure, driving infrastructure development, stimulating economic activity, and supporting long-term growth.

Implementing Reforms to Enhance Economic Competitiveness

Key reforms have been implemented, particularly in network industries such as energy and logistics, through Operation Vulindlela. The next phase of reforms will include local government, infrastructure, and social services to unlock employment opportunities and drive investment. The government is also prioritising green economy initiatives, with a focus on renewable energy projects such as wind, solar, and battery storage to promote both growth and job creation.

Strengthening the State's Capability to Deliver Essential Services

This pillar emphasised improving public sector service delivery in critical areas such as electricity and crime prevention. The digital transformation of government services has been underway to enhance efficiency and scale service delivery. Initiatives included addressing excessive wage bill pressures through early retirement proposals, reforming disaster financing to streamline relief grants, and restructuring the fragmented public employment and active labour market support ecosystem to improve coordination and impact.

Delivering Quality Infrastructure to Support Economic Growth

Private sector involvement in infrastructure development has been scaled up to drive growth. Initiatives like the Budget Facility for Infrastructure (BFI), which has allocated R37.6 billion, and the Infrastructure Fund, supporting projects worth R57.8 billion, are mobilising private resources. Infrastructure budgets for energy, transport, and water projects are projected to grow by 4.9% over the medium term, with National Treasury leading efforts to enhance spending efficiency and governance.

The department continued to produce policy-relevant research, reports and presentations in accordance with its research programme. This included analysis of global and domestic financial market trends and the development and monitoring of the monetary policy framework in support of competitiveness, price stability and economic growth. As part of overseeing and implementing South Africa's macroeconomic policy framework, National Treasury analysed and monitored macroeconomic trends and the policy framework to support sustainable economic growth, including fiscal policy, employment, equality and transformation policies. Research and analytical support were provided to develop policies to address industrial policy, competition and regulation policy, as well as energy and just transition actions.

The department working with participating commercial banks and the South African Reserve Bank, continued with the implementation of the Energy Bounce-Back Loan Guarantee Scheme, an initiative meant to support the resilience of small businesses and households to the continual difficulties resulting from unreliable power supply and loadshedding. Legislative amendments to give effect to the two-pot retirement system, commencing 1 September 2024, were also finalised and enacted into law. The system is a reform that allows retirement fund members to make partial withdrawals from their retirement funds before retirement, while preserving a portion that can only be accessed at retirement to help improve retirement outcomes.

The Jobs Fund is a R9 billion challenge fund that offers a targeted programme of support for effective labour market interventions. The programme supports job creation in the short to

medium term and identifies scalable and replicable job creation models that will assist in addressing South Africa's unemployment crisis. To date, the Jobs Fund has concluded 11 funding rounds. It offers matched funding grants across four funding windows (enterprise development, infrastructure, support for work seekers and institutional capacity building).

The fund has fully allocated its original R9 billion in grant funding to its portfolio of projects. As at 31 March 2025, the Jobs Fund had disbursed R7.5 billion and leveraged an additional R15.1 billion in the form of matched funding from project partners, resulting in a competitive 1:2 funding ratio. The Jobs Fund has a portfolio of 184 job creation projects and has exceeded its permanent job creation target of 150 000.

As at 31 March 2025, the fund had facilitated the creation of 215 637 permanent jobs and placements. In addition, the fund's project partners have created a further 138 967 jobs, comprising 21 561 seasonal jobs, which will endure well beyond the implementation period for these projects, 92 801 short-term jobs, and 24 605 internships. A total of 390 577 people have been trained through the fund's supported projects. This group of people comprised, among others, young work seekers; entrepreneurs; and employees of Small, Medium and Micro Enterprises (SMMEs). An additional 70 276 jobs were created by projects post their implementation period, demonstrating the catalytic effect of the Fund's grant over time. The overall grant cost per job is R25, 428 when training costs and Jobs Fund operating costs are included, and R23, 738 when the Jobs Fund's operating cost is included, but excluding training costs.

2. PROGRESS ON THE ACHIEVEMENT OF OUTCOMES

2.1 Table of Outcomes, Indicators and Targets

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
	1.1. Infrastructure Fund established and operationalised	New indicator	Infrastructure Fund constituted by 2021 Operational budget allocated 2022 – 2024	<p>The Infrastructure Fund was constituted by 2021, and it is operational. The Fund was allocated R13.8 billion in 2024/25 and R12.9 billion in 2025/26. Over the medium term:</p> <p>R17.4 billion has been allocated for 2026/27, R22.2 billion for 2027/28 and R23.5 billion for 2028/29. The Infrastructure Fund remains at R100 billion as it was announced in the 2019 Medium Term Budget Policy Statement.</p>	N/A	N/A
	1.2. International financial institutions support mobilised	New indicator	US\$10 billion financing from Multilateral Development Banks taken up	National Treasury coordinated government's participation in the African Investment Forum (AIF), following the elevation of participation by the African Development Bank (AfDB) to include Heads of State. The business model of the AIF, which is to match investors from the world with bankable projects from the African continent, was designed for inter-personal interaction and deal-making.	N/A	N/A

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
Sustainable public finances				<p>For 2018: A total of 12 projects valued at US\$12.6 billion were presented in the boardroom sessions.</p> <p>AIF 2019: South Africa was able to mobilise about US\$6.8 billion for four of the eight projects that were presented in the boardroom discussions. These projects received investment interest valued at \$3.5 billion. They included:</p> <ul style="list-style-type: none"> • Finningley Eco City - KwaZulu-Natal; • Africa International Food Market; • Alternative Waste Treatment Technologies for the City of Tshwane and Ekurhuleni; and • IHS Affordable Green Housing Development Fund 		
	1.3. Funding of government's gross borrowing requirements met	Annual government's gross borrowing requirements met	Government's gross borrowing requirements met annually for the period 2020 – 2024	Government's gross borrowing requirements successfully met annually for the period 2020-2024	N/A	N/A
	1.4. Enabling Inter-governmental Fiscal Framework that promotes financial	2018 Baseline	Provincial equitable share reviewed	The review of the education component's enrolment subcomponent was completed. The proposed reforms included expanding coverage to account for learners with special needs in dedicated centers (where previously only those in ordinary schools were included)	N/A	N/A

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
	sustainability			<p>and introduced differentiation among learners.</p> <p>These reforms have been endorsed by the education sector, with implementation scheduled for the 2026 Medium-Term Expenditure Framework.</p>		
			Local government capacity grant system redesigned	<p>A Capability Development Programme and Capability Development Strategy have been developed and formally approved by the Executive Committee (EXCO) of the National Treasury. These initiatives were designed to strengthen institutional capacity, enhance staff competencies, and ensure that municipal treasuries were equipped to effectively deliver on their mandate.</p> <p>The concept document for the redesign of the Local Government Financial Management Capability Development Programme (LGMCDP) has been drafted by the National Treasury. This document outlined the strategic direction, objectives, and proposed enhancements to strengthen financial management capacity within local government institutions, ensuring improved service delivery and compliance with financial governance standards.</p>	N/A	N/A

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				Stakeholder engagement on the draft redesign of LGMCDP has commenced.		
			Performance incentives in infrastructure	<p>In 2019/20, reforms in the Public Transport Network Grant (PTNG) saw the introduction of a performance-based incentive component intended to address some of the concerns with the project-based allocations and sought to help with the shift towards more sustainable transport investments over time.</p> <p>The most recent development is the refinement of the PTNG incentive eligibility criteria: municipalities must now meet at least 2 out of the 3 specified performance indicators to qualify for the incentive. This change was to ensure a more balanced and achievable standard for participation, while still promoting improved performance and accountability.</p> <p>The Integrated Urban Development Grant (IUDG) for intermediate cities was introduced in 2019/20 with the intention to support spatially aligned public infrastructure investment that will lead to functional and efficient urban spaces. The IUDG was initially introduced with a total of 8 intermediate cities. However, since its inception, 2 more intermediate cities (Alfred Duma and George) have been</p>	N/A	N/A

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				added as beneficiaries of the grant, having met the qualifying criteria.		
			Grants strengthened	<p>Clear roles and responsibilities have been strengthened in the grant frameworks (that defines the roles of national, provincial, and municipal stakeholders) ensuring better coordination and accountability.</p> <p>Clear criteria for introducing new grants have been established, including alignment with strategic priorities, evidence-based needs, and stakeholder consultation.</p>	N/A	N/A
	1.5. Effective Provincial and Municipal Budget Systems	<ul style="list-style-type: none"> 126 municipalities with unfunded budgets R21.2 billion accruals in provinces 	Zero municipalities with unfunded budgets	The National Treasury, in consultation with the Department of Cooperative Governance (DCoG) finalised the process of identifying municipalities that were in a crisis, using four pillars of sustainability i.e., governance, institutional arrangements, financial health and service delivery. As of 31 March 2025, a total of 88 municipalities that adopted the unfunded budgets without credible funding plans and owe water boards, South Africa Revenue Service (SARS), Pension Funds and Auditor-General South Africa (AGSA) received letters signed by the DG and the Minister of Finance.	<p>Not all municipalities are honouring the agreements they entered into with third parties such as water boards, SARS, Pension Funds and AGSA</p> <p>Not all municipalities are responding to letters sent by NT and increasingly threatening to take the National Treasury to court</p>	<p>Continuous engagements with respective municipalities by writing letters of non-compliance.</p> <p>Continue to communicate with PTs and request the PTs to assist the National Treasury to enforce compliance</p> <p>In Phase 2 of the SMG roll out a compulsory Public Participation Period was</p>

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>Subsequently, the National Treasury invoked Section 216 of the Constitution, read together with Section 38 of the Municipal Finance Management Act (MFMA), by stopping the transfers of the March 2025 Local Government Equitable Share (LGES) to the affected municipalities, until they complied to the directive of the Director General (DG) and the Minister. National Treasury reviewed the response letters and related supporting documents received from the affected municipalities, that necessitated National Treasury to release the March tranche of the equitable share to all the affected municipalities.</p> <p>Municipal (Eskom) Debt Relief: Ongoing monitoring and support was provided to the 71 debt relief participants. Monthly submissions and reports were escalated across various platforms, including to the Portfolio Committee on Electricity and Energy, Select Committee of Finance; Budget Forum, MFMA Joint Meeting; Department of Local Government and South African Local Government Association (SALGA). Warning letters of impending termination were issued to 60 defaulters on 16 December 2024.</p> <p>Water Debt Relief: Department of Water and Sanitation (DWS) was supported with</p>	<p>Some PTs are defending municipalities, even after the thorough consultation through the TCF subcommittee</p> <p>Public consultation challenges and lack of community acceptance has been identified as significant risks to the project.</p> <p>The number of meters required in municipal applications is significantly overstated due to two primary reasons. Firstly, municipalities lack a reconciled asset register, resulting in discrepancies between actual meters on the ground and financial systems. Secondly, the overstatement appears to be an</p>	<p>introduced in the first 30 days after inception whilst concurrently a mandatory meters audit is performed</p> <p>The As-Is Report, which incorporates the results of audit scoping and public participation, must be submitted to South African National Energy Development Institute (SANEDI) for evaluation alongside the Business Implementation Plan. Both documents will then be reviewed by the National Project Steering Committee (PSC). Approval from the PSC is mandatory before proceeding with the project. Final allocations of meters and monetary quantum will only be concretised with the conclusion of the Service Level</p>

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>the compilation of the water relief scheme conditions to the point of DWS sign-off and initial roll-out by Vaal Central Water Board and DWS: Water Trading Entity.</p> <p>Single Integrated Revenue Management Framework: the Revenue Management Tool was rolled out in the North-West, Gauteng, Mpumalanga and Free State provincial treasuries.</p> <p>Tariff and General Valuation Roll Tools: training was conducted at provincial treasuries and municipalities as part of revenue value chain enhancement.</p>	<p>attempt to enhance their applications, potentially to secure more grant funding for smart meter projects.</p> <p>Legal challenges impacting the roll out of the project such as in Kgetlengrivier. High Cour Order granted in favour of previous service provider</p> <p>General lack of commitment by municipal officials.</p>	<p>Agreements between NT, the assigned Service Provider and the beneficiary municipality</p> <p>NT is abiding to the interim court relief granted and re-allocated funds to other performing municipalities in the 2024/25 financial period.</p> <p>Close monitoring being enforced.</p>
			Accruals equal 8.33% of annual budget or the equivalent of 30 days payments in provinces	Accruals for 2023/24 equal R37.1 billion or 4.96% of the annual budget of R747.4 billion in provinces. R19.7 billion or 53% being less than 30 days, and the remaining R17.4 billion is due for more than 30 days	<p>Inaccurate figures submitted in the Section 71 reports delays payment.</p> <p>Not all council and key officials are always willing to address discrepancies identified in the tariff structure and the General Valuation Rolls.</p>	
	1.6. Township economies	New indicator	Five townships in five metros with Township	The five Township Economic Development Strategies with 8 prioritised	The establishment of transversal	Considering the project close out, the

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
	investment and support strategy compiled and implemented		Economic Development Strategies that are resourced and integrated in the strategic plans and budgets of the metros and other spheres of government including SOEs and that have successfully leveraged private sector investment	<p>projects have been approved by all City executive management teams and implementation is underway. In addition to some metros allocating internal budget resources to some projects, funds have been leveraged through the Neighbourhood Development Programme Grant and other partners such as Inkwazi Isu and the World Bank’s ProBlu programme (Pinetown South), African Development Bank (Hammanskraal), and GIZ’s Violence Prevention Programme (New Brighton) and FinTech.</p> <p>Initially the programme was implemented in partnership with the European Union’s EDSE programme, the World Bank Group, and through inter-governmental collaboration primarily with the Department of Small Business Development. These partnerships were broadened in 2022 through an agreement reached with the UK’s Foreign, Commonwealth and Development Office (UK-FCDO) to provide additional technical assistance funding.</p>	collaboration in the TED projects remains a major challenge, rooted in rigid institutional mandates and approaches. Departmental silos and misalignment between spatial, economic, transport, parks and recreation, and safety objectives have been observed throughout the project. There are also incidents of limited political support for TED in the Metro leadership.	learnings will be factored into project design for future TED projects in the cities.
	1.7. Reduction of illicit financial flows	New indicator	National policy approach to combat, track, stop illicit financial flows and recovering and	The project remains in Phase 2, with the focus still on the drafting of the Strategy. The Steerco departments continue to submit their draft inputs, which are currently undergoing a thorough review process. While significant progress has	N/A	N/A

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
			repatriating assets developed by 2024	been made, the review process is comprehensive and ongoing, ensuring that all inputs are meticulously evaluated and integrated into the final strategy.		
Coherent economic policy advocated	2.1. Macroeconomic policy reviewed to support growth	Fiscal consolidation, inflation targeting between 3% and 6%	Macroeconomic policy framework reviewed by 2022	National Treasury has reviewed government's macroeconomic policy from the global financial crisis to the present. The policy review examines how key indicators, such as economic growth and employment, have evolved since 2008; assesses government's fiscal, monetary and macro-prudential policy choices; and proposes appropriate reforms to policy targets and institutional frameworks.	N/A	N/A
	2.2. Financial sector code reviewed	Financial sector code	Financial sector code reviewed by end of 2020 and implemented by 2024	The review process is ongoing, with the Financial Sector Transformation Council (FSTC) continuing to engage with stakeholders to update the code. The Council received a report on the bilateral consultations undertaken by National Treasury to facilitate the resolution of areas of disagreement regarding the MOI. The Council is in the process of determining the next steps. There is positive progress on the State of Transformation Report. The draft report was presented to the Reporting Working Council.	Areas of disagreement amongst constituency members and the inability of some constituencies to attend meetings resulting in no quorum being reached have impeded progress.	On the 4th of March 2025, the FSTC held a dedicated workshop to address the trust deficit issues that appeared to impede progress. The engagements amongst constituencies have improved after the workshop. In the last RWC meeting, the FSTC secretariat and Chair

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
						<p>of the RWC were mandated to engage and consult with Organised Labour constituency.</p> <p>A dedicated workshop (Chaired by National Treasury) has been scheduled to address some of the main areas of disagreement.</p>
	2.3. Policy directives in preferential procurement for Institutions to spend by sex/gender, age and disability developed	New indicator	<p>Supply Chain Management directives to implement the Procurement Act issued</p> <p>Development of regulations to implement the Public Procurement Act, once it is enacted.</p>	<p>Parliament passed the Public Procurement Bill in May 2024 and submitted it to the President for consideration and assent. The President assented the Public Procurement Bill into an Act of Parliament, i.e, Public Procurement Act, 28 of 2024, on 18 July 2024 and it was gazetted on the 23 July 2024. The Act requires the Minister, by notice in the gazette, to make regulations regarding any matter required by the Act to be prescribed.</p> <p>National Treasury is currently developing the regulations for the implementation of the Act. The regulations are expected to be promulgated by the Minister during the 2025/26 financial year. The Act will take effect on a date determined by the</p>	N/A	N/A

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				President by proclamation in the gazette. Different dates may be determined by the President in respect of the effective date for different provisions of this Act, and in respect of different categories of procuring institutions.		
	2.4. Promoting implementation of investment strategies in Provinces/Municipalities and sound intergovernmental spatial budgeting that contributes to economic growth	2018 baseline	15 Investment Plans developed and implemented in Provinces/Municipalities	<p>A total of 24 investment plans were developed and approved as follows:</p> <ul style="list-style-type: none"> • 2020/2021 – 3 • 2021/2022 – 6 • 2022/2023 – 3 • 2023/2024 – 6 • 2024/2025 – 6 	N/A	N/A
			8 metros developing and implementing Reform Action Plans for the three SNDB indicators: Getting Electricity, Registering Property and Construction Permitting	<p>All 8 Metros have submitted Reform Action Plans (RAPs), with coinciding Quarterly reports until 2021/22</p> <p>Getting Electricity</p> <p>Reductions in turnaround times achieved to date in days:</p> <p>City of Ekurhuleni reduced the number of days by 36%</p> <p>Nelson Mandela Bay reduced the number of days by 26%</p> <p>City of Tshwane reduced the number of days by 47%</p>	N/A	N/A

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>City of Cape Town reduced the number of days by 14%</p> <p>City of Johannesburg reduced the number of days by 18%</p> <p>Construction Permits</p> <p>3 Metros were automated (City of Cape Town, City of Johannesburg, eThekweni), eThekweni has achieved a 52% reduction (from 17 to 8 steps) in number of procedures, and 88% reduction (from 117 to 14 days) in turn-around times.</p> <p>City of Johannesburg reduced the number of days to issue building plans approval by 70%</p> <p>Registering Property</p> <ul style="list-style-type: none"> • 6 Metros were automated. Reductions in turnaround times achieved in days: • Mangaung from 28 to 5 days -82% • City of Cape Town from 29.5 to 10 days -66% • City of Ekurhuleni reduced the number of days by 40% • City of Tshwane reduced the number of days by 19% 		

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<ul style="list-style-type: none"> Buffalo City reduced the number of days by 60% 		
Sound financial controls and management of public finances	3.1. Reduction of wasteful and fruitless expenditure in public sector institutions	New indicator	Develop a programme to strengthen awareness, internal controls, reporting and consequence management with regard to wasteful and fruitless expenditure in the public sector by 2022	<p>MFMA institutions:</p> <p>In an effort to support municipalities to develop and implement the Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIF&WE) Reduction Strategy, the National Treasury has taken various steps to assist municipalities by providing the following:</p> <ul style="list-style-type: none"> Training Programs: enhanced the capacity of financial officers, MPACs, Disciplinary Boards, and other relevant municipal officials through targeted training sessions. Direct Support and Oversight: implemented support programmes through direct high intervention in municipalities identified as having high levels of fruitless and wasteful expenditure, as well as irregular expenditure. National Treasury deployed experienced personnel to work directly with municipal officials, the support programmes facilitated corrective action, enhanced internal controls, and built a long-term financial governance capacity within affected municipalities. 	Not all municipalities are implementing measures to investigate allegations of financial misconduct and implement consequence management. MFMA Financial Disciplinary Boards have been established, however, not all are effective as not all municipalities are referring matters for investigation and are not concluding matters in time.	National Treasury to consider amendment to the MFMA and to establish a Special Committee to deal with investigations and referrals relating to allegations of financial misconduct. This measure will enable NT to process and take necessary actions to address delays experienced in attending to such matters by municipalities on a timeous basis.

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<ul style="list-style-type: none"> Enhanced identification and reporting Mechanisms: strengthened the ability of municipalities to identify, report, and rectify instances of irregular expenditure more efficiently. Issuance of various circulars: The National Treasury continues to provide clear guidance for financial management and reporting aimed at reducing instances of irregular expenditure. The National Treasury continues to support the implementation of the Consequence Management Framework through the capacity building workshops targeting both officials, councillors and members of the disciplinary board. <p>PFMA Institutions</p> <p>The National Treasury took the following initiatives in assisting PFMA institutions:</p> <ul style="list-style-type: none"> Implementation of Instruction No. 4 of 2022/2023 has been in effect since January 2023. In accordance with this directive, all PFMA institutions were required to report fruitless and wasteful expenditure incurred during the financial year in their annual financial statements. In addition, the information related to the progress 		

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>made in terms of assessments, determinations and investigations was reported in the compliance report section of the annual reports of PFMA institutions.</p> <ul style="list-style-type: none"> Developed the Competency Framework & Guidelines for the loss control function to address unauthorised, irregular & fruitless & wasteful expenditure (UIF&WE) incurred by PFMA institutions. Developed educational material for using municipal annual financial statements for decision-making & accountability (Reading Financial Statements Guide). The EU-funded Financial Mngement Capacity Development for Improved Service Delivery (FMISD) programme (2018-2024) supported the Capacity Development Strategy (CDS) aimed at addressing financial management capacity constraints in the public sector, namely increased Professionalisation of Public Financial Management within all spheres of government national, provincial and local government. It enhanced the capacity of provincial treasuries to perform their roles concerning provincial departments. FMISD also 		

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>contributed to the development and piloting of a wide range of tools, Standard Operating Procedures and training support materials to enable all provinces and municipalities to reduce UIF&WE, such as: Guideline on the Loss Control Function developed and distributed upon request by institutions.</p> <ul style="list-style-type: none"> Conducted sessions which included learnings on the SCM environment through the collaborative work of the office of the Chief Procurement Officer (OCPO) and Office of the Accountant-General (OAG). The annual reporting guideline was also reviewed with the Technical Support Services at OAG to ensure streamlined reporting on historical cases of UIF&WE to ensure that information on consequence management is captured and aligned to the registers of institutions and any progress made in addressing fruitless and wasteful expenditure. The National Treasury held technical meetings with the Auditor-General and other relevant stakeholders to deal mostly with unresolved audit disputes emanating from interpretation of UIF&WE. 		

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<ul style="list-style-type: none"> A progress report on Improvement of Financial Management and Compliance for the 2023/24 financial year was developed and finalised in March 2025. <p>The report revealed the following:</p> <ul style="list-style-type: none"> Fruitless and wasteful expenditure incurred by national departments during the 2023/24 financial year amounted to R 162 million. Fruitless and wasteful expenditure incurred by national public entities during the 2023/24 financial year amounted to R 1.1 billion. Fruitless and wasteful expenditure incurred by national departments decreased from R432 million in 2022/23 financial year to R162 million in 2023/24 financial year. This shows an improvement of R270 million (63%). Fruitless and wasteful expenditure incurred by national public entities decreased from R1.1 billion in 2022/23 financial year to R418 million in 2023/24 financial year. This shows an improvement of R682 million (62%). 		
	3.2. Reduction of irregular expenditure in public sector institutions	New indicator	Develop a programme to strengthen awareness, internal controls, reporting and consequence	<p>MFMA institutions:</p> <p>In an effort to support municipalities to develop and implement the Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIF&WE)</p>	Not all municipalities are implementing measures to investigate allegations of	National Treasury to consider amendment to the MFMA and to establish a Special Committee to deal

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
			management with regard to irregular expenditure in the public sector by 2022	<p>Reduction Strategy, the National Treasury has taken various steps to assist municipalities by providing the following:</p> <ul style="list-style-type: none"> • Training Programs: Enhancing the capacity of financial officers, MPACs, Disciplinary Boards, and other relevant municipal officials through targeted training sessions. • Direct Support and Oversight: Implementing support programmes through direct high intervention from National Treasury • The National Treasury is implementing targeted support programmes involving direct intervention by National Treasury officials in municipalities identified as having high levels of fruitless and wasteful expenditure, as well as irregular expenditure. By deploying experienced National Treasury personnel to work directly with municipal officials, the support programmes will facilitate corrective action, enhance internal controls, and build long-term financial governance capacity within affected municipalities. • Enhanced identification and Reporting Mechanisms: Strengthening the ability of municipalities to identify, report, 	financial misconduct and implement consequence management. MFMA Financial Disciplinary Boards have been established, however, not all are effective as not all municipalities are referring matters for investigation and are not concluding matters in time.	with investigations and referrals relating to allegations of financial misconduct. This measure will enable NT to process and take necessary actions to address delays experienced in attending to such matters by municipalities on a timeous basis.

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>and rectify instances of irregular expenditure more efficiently.</p> <ul style="list-style-type: none"> • Issuance of various circulars: The National Treasury has been providing clear guidance for financial management and reporting aimed at reducing instances of irregular expenditure. • The National Treasury has been supporting the implementation of the Consequence Management Framework through the capacity building workshops targeting both officials and councillors and members of the disciplinary board. <p>PFMA Institutions</p> <p>The National Treasury took the following initiatives in assisting PFMA institutions:</p> <ul style="list-style-type: none"> • Implementation of Instruction No. 4 of 2022/2023 has been in effect since January 2023. In accordance with this directive, all PFMA institutions are required to report fruitless and wasteful expenditure incurred during the financial year in their annual financial statements. In addition, information related to the progress made in terms of assessments, determinations and investigations is reported in the compliance report 		

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>section of the annual reports of PFMA institutions.</p> <ul style="list-style-type: none"> Developed the Competency Framework & Guidelines for the loss control function to address unauthorised, irregular & fruitless & wasteful Expenditure (UIF&WE) incurred by PFMA institutions. Developed educational material for using municipal annual financial statements for decision-making & accountability (Reading Financial Statements Guide). The EU-funded FMISD programme (2018-2024) supported the Capacity Development Strategy (CDS) aimed at addressing financial management capacity constraints in the public sector, namely increased Professionalisation of Public Financial Management within all spheres of government national, provincial and local government. It enhanced the capacity of provincial treasuries to perform their roles concerning provincial departments. FMISD also contributed to the development and piloting of a wide range of tools, Standard Operating Procedures and training support materials to enable all provinces and municipalities to reduce 		

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>UIF&WE, such as: Guideline on the Loss Control Function developed and distributed upon request by institutions.</p> <ul style="list-style-type: none"> Conducted sessions which included learnings on the SCM environment through the collaborative work of the office of the Chief Procurement Officer (OCPO) and Office of the Accountant-General (OAG). The annual reporting guideline was also reviewed with the Technical Support Services at OAG to ensure streamlined reporting on historical cases of UIF&WE to ensure that information on consequence management is captured and aligned to the registers of institutions and any progress made in addressing fruitless and wasteful expenditure. The National Treasury held technical meetings with the Auditor-General and other relevant stakeholders to deal mostly with unresolved audit disputes emanating from interpretation of UIF&WE. A progress report on Improvement of Financial Management and Compliance for the 2023/24 financial year was developed and finalised in 		

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>March 2025. The report revealed the following:</p> <ul style="list-style-type: none"> Fruitless and wasteful expenditure incurred by national departments during the 2023/24 financial year amounted to R 162 million. Fruitless and wasteful expenditure incurred by national public entities during the 2023/24 financial year amounted to R 1.1 billion. Fruitless and wasteful expenditure incurred by national departments decreased from R432m in 2022/23 financial year to R162m in 2023/24 financial year. This shows an improvement of R270 million or 63%. Fruitless and wasteful expenditure incurred by national public entities decreased from R1.1 billion in 2022/23 financial year to R418 million in 2023/24 financial year. This shows an improvement of R682 million or 62%. 		
	3.3. Reduction of qualified audits in the public sector	New indicator	Development of intervention and/or support strategies to address common causes for qualifications in the public sector by 2022	National Treasury continues to provide support to municipalities and provincial treasuries in the implementation of key financial management tools, including the MFMA web-enabled Audit Action Plan system and the web-enabled Financial Management Capability Maturity Model (FMCMM).	Not all municipalities are implementing measures to investigate allegations of financial misconduct and implement consequence management. MFMA Financial Disciplinary	National Treasury to consider amendment to the MFMA and to establish a Special Committee to deal with investigations and referrals relating to allegations of financial misconduct. This measure will

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>Cabinet approved the establishment of the Interministerial Committee (IMC) in September 2024. The mandate of the IMC, which is spearheaded by the Department of Cooperative Governance (DCoG), is to ensure the successful turn-around of poorly performing/ unsustainable municipalities through the development and oversight of the implementation of a Municipal Performance Turnaround Strategy (MPTS). One of the specific focus areas included in the MPTS was the improvement of municipal audit outcomes.</p> <p>PFMA Institutions</p> <p>The analysis of audit outcomes of PFMA institutions was based on 420 active institutions, which consist of 235 national institutions and 185 provincial institutions. The analysis of the finalised audit outcomes indicated a slight improvement when compared to the previous financial year.</p> <p>The comparative analysis of the audit outcomes of national and provincial institutions for the 2023/24 financial year compared with the 2022/23 financial year reveals the following:</p> <p>The PFMA institutions that received unqualified audit opinions with no findings (clean audit) increased from 171</p>	<p>Boards have been established, however, not all are effective as not all municipalities are referring matters for investigation and are not concluding matters in time.</p>	<p>enable NT to process and take necessary actions to address delays experienced in attending to such matters by municipalities on a timeous basis.</p>

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>in the 2022/23 financial year to 178 in the 2023/24 financial year, indicating an improvement of 4%. The number of PFMA institutions that received unqualified audit opinions with findings decreased from 172 in the 2022/23 financial year to 169 in the 2023/24 financial year, representing an improvement of 2%.</p> <p>The number of PFMA institutions that received qualified audit opinion remained stagnant at 54. The number of PFMA institutions that received adverse audit opinion remained stagnant at 2. The number of PFMA institutions that received disclaimer audit opinions remained stagnant at 3.</p> <p>The analysis further reveals an improvement of 7% when comparing PFMA institutions whose audits for the 2023/24 financial year were not finalised as of March 2025.</p> <p>Two National Departments improved their qualified audit opinions. The OAG provided training, CFO Forums and monitored audit action plans during the year to assist with the improvement of audit outcomes. The OAG developed a Query portal to improve responses and feedback on technical queries.</p>		

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
	3.4. Number of identified “high risk” State Owned Entities (SoEs) governance system reviewed and recommendations implemented	Previous interventions by the NT, DPE and Presidency	Five “high risk” State Owned Entities governance system reviewed by 2021 and recommendations implemented by 2023	<p>DBSA</p> <p>DBSA undertook a target operating model review process. The primary objective was not cost-cutting, but to prepare for growth and to be responsive to stakeholders’ expectations, both now and over the next decade, in line with the Bank’s long-term strategy. To this end, the leadership of the Bank evaluated the entire value chain and proposed necessary changes to the Board. The revised operating model and digitisation were accepted, resulting in a revised cluster/divisional structure and a new top leadership team structure, which the DBSA is currently implementing.</p> <p>Furthermore, work has already begun to refine the divisions, retaining existing capabilities while integrating new ones to support all of the Bank’s initiatives in the medium term. The operating model and the digitisation are designed to enable the Bank to continuously meet its key performance indicators, as outlined in the corporate plan, and to remain optimally responsive to the shareholder as well as to all stakeholders, both nationally and internationally.</p> <p>Land Bank</p> <p>Debt Restructure Update:</p>	N/A	N/A

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>Following the debt default that took place in April 2020, a process to negotiate a debt restructure (liability solution) agreement was undertaken. It involved negotiating for a viable debt restructure agreement with all 54 lenders of the Land Bank. Following a long negotiation process, a debt restructure agreement was reached with all lenders effective from 1 September 2024. Land Bank effectively cured its debt default at the end of September 2024, after successfully making all the payments due on 30 September 2024.</p> <p>Organisation Restructure Update:</p> <p>The purpose of this organisational restructure was to conduct a detailed review of the operating model and organisational structures of the Land Bank in order to ensure that it is fit-for-purpose in line with the board approved turnaround strategy.</p> <p>The organisational restructure program was undertaken during 2023 and was divided into phase 1 and phase 2.</p> <p>Phase 1 entailed a thorough review of the bank’s delivery model, operational process, challenges, opportunities, points of representation, organisational macro structure, EXCO as well as the microstructure. Phase 1 was completed</p>		

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>and approved by the Land Bank board of directors during the month of March 2024 and became effective for implementation on 1 April 2024.</p> <p>Phase 2 of the Organisational Restructure was undertaken by PWC working closely with management and this entailed the review of Organisational Culture, Performance Management systems and processes, Employee Value Proposition (EVP) of Land Bank, Talent Management Process, and Change Management.</p> <p>Phase 2 of the Organisational Restructure process also started in April 2024 and was undertaken by PWC working closely with management. The new operating model and new organisational structures of the Land Bank have been fully implemented across the whole bank, and has resulted in the full capacitation of the Land Bank structures</p>		
	3.5. Implement the Integrated Financial Management System (IFMS) in the public sector	Progress made on IFMS up to 2019	Integrated Financial Management System (IFMS) in the Departments and Provinces rolled out by 2024	The project approach was adapted to meet the current needs of departments, respond to technological shifts, and align with initiatives such as those jointly led by the National Treasury and the Presidency on the Digital Transformation of Government. The focus was on delivering solutions that departments require, using a more flexible and modular approach.	The SIU has been investigating the IFMS contract and extended matters under the scope of Proclamation R.4 of 2020, as amended by Proclamation R.40 of 2020. The	National Treasury have taken steps to take the final report under legal review.

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
Sound financial controls and management of public finances				Central to this shift was the current development of a new Single Sign-On Portal which will act as a single access point for government officials to securely use existing legacy systems and new digital tools and/or modules. Work will continue delivering digital solutions, including the automation of financial statements and the modernisation of transversal contracting processes.	investigation has since been completed, and the final report was submitted to the President, as confirmed by the SIU.	
	3.6. Strengthen Municipal financial systems	New indicator	Municipal financial systems strengthened by 2023	<p>On 06 March 2025, a total of 88 municipalities that adopted the unfunded budgets without credible funding plans, and they owe water boards, SARS, Pension Funds and AGSA received letters signed by the DG and the Minister of Finance.</p> <p>Subsequently, the National Treasury invoked Section 216 of the Constitution together with Section 38 of the MFMA, by stopping the transfers of the March 2025 LGES to the affected municipalities, until they complied to the directive of the DG and the Minister.</p> <p>The National Treasury team reviewed the response letters and related supporting documents received from the affected municipalities, that necessitated NT to release the March tranche of the</p>	<p>Not all municipalities are honouring the agreements they entered into with third parties such as water boards, SARS, Pension Funds and AGSA</p> <p>Not all municipalities are responding to letters sent by NT and increasingly threatening to take the National Treasury to court</p> <p>Some PTs are defending municipalities, even after the thorough consultation through</p>	<p>Continuous engagements with respective municipalities by writing letters of non-compliance.</p> <p>Continue to communicate with PTs and request the PTs to assist the National Treasury to enforce compliance</p> <p>In Phase 2 of the SMG roll out a compulsory Public Participation Period was introduced in the first 30 days after inception whilst concurrently a</p>

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>equitable share to all the affected municipalities.</p> <p>Municipal (Eskom) Debt Relief: Ongoing monitoring and support is being provided to the 71 debt relief participants. Monthly submissions and reports are being escalated across various platforms, including to the Portfolio Committee on Electricity and Energy, Select Committee of Finance; Budget Forum, MFMA Joint Meeting; Department of Local Government and SALGA. Warning letters of impending termination were issued to 60 defaulters on 16 December 2024.</p> <p>Water Debt Relief: DWS was supported with the compilation of the water relief scheme conditions to the point of DWS sign-off and initial roll-out by Vaal Central Water Board and DWS: Water Trading Entity.</p> <p>Smart Meters Grant (SMG) implementation and roll out fast tracked with the 8 Municipalities targeted. SANEDI has set up the monitoring Centre and back office - all projects were monitored, and installations are tracked, reviewed, evaluated and alerts observed.</p> <p>7 of 8 projects were targeted and completed by 10 March 2025. One has been paused due to a legal challenge by a previous service provider. National</p>	<p>the TCF subcommittee</p> <p>Public consultation challenges and lack of community acceptance has been identified as significant risks to the project.</p> <p>The number of meters required in municipal applications is significantly overstated due to two primary reasons. Firstly, municipalities lack a reconciled asset register, resulting in discrepancies between actual meters on the ground and financial systems. Secondly, the overstatement appears to be an attempt to enhance their applications, potentially to secure more grant funding for smart meter projects.</p>	<p>mandatory meters audit is performed</p> <p>The As-Is Report, which incorporates the results of audit scoping and public participation, must be submitted to South African National Energy Development Institute (SANEDI) for evaluation alongside the Business Implementation Plan. Both documents will then be reviewed by the National Project Steering Committee (PSC). Approval from the PSC is mandatory before proceeding with the project. Final allocations of meters and monetary quantum will only be concretised with the conclusion of the Service Level Agreements between NT, the assigned Service Provider and</p>

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>Treasury is abiding to the interim court relief granted and re-allocated funds to other performing municipalities.</p> <ul style="list-style-type: none"> Planned 100% spending on Budget Allocation. Actual Expenditure achieved 99.9% of 2024/25 allocation. Spending to date: R499 717 799.66. Number of Meters Installed: 66 599 Local Jobs Created: 1006 local jobs created during installations. <p>12 Municipalities targeted for the next phase. Namely: Endumeni, Amalathi, Raymond Mhlaba, Dawid Kruiper, Ubuntu, Enoch Mgijima, Thabazimbi, Ramotshere Moila, Mogale City Emfuleni, Kannaland Cederberg and Matzikama Local Municipalities.</p> <p>Onboarding meetings were held in February and March 2025 at municipalities. Beaufort West LM was targeted as a water meters pilot. New applications were assessed, and allocations are completed - effective from 24 March 2025 and planned inception meetings in April 2025.</p> <p>Single Integrated Revenue Management Framework: The Revenue Management</p>	<p>Legal challenges impacting the roll out of the project such as in Kgetlengrivier. High Cour Order granted in favour of previous service provider</p> <p>General lack of commitment by municipal officials.</p> <p>Inaccurate figures submitted in the Section 71 reports delays payment.</p> <p>Not all council and key officials are always willing to address discrepancies identified in the tariff structure and the General Valuation Rolls.</p>	<p>the beneficiary municipality</p> <p>NT is abiding to the interim court relief granted and re-allocated funds to other performing municipalities in the 2024/25 financial period.</p> <p>Close monitoring being enforced.</p>

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>Tool was rolled out in the Noth-West, Gauteng, Mpumalanga and Free State provincial treasuries.</p> <p>Government Debt: Engaged the National Department of Public Works (DPW) and SALGA through the Multi-disciplinary Revenue Committee (MdRC) on the reduction of Government Debt and put more focus and emphasis on Republic of South Africa (RSA) properties.</p> <p>SAPRA: Participated in the Technical Standing Committee and discussed overlapping Revenue Protection Strategies as well as overlapping ones due to legislation and treatment.</p> <p>Tariff and General Valuation Roll Tools: training was conducted at provincial treasuries and municipalities as part of revenue chain enhancement.</p>		
	3.7. Programme to strengthen the Supply Chain Management and Procurement System in the public sector developed	2018 Baseline	Supply Chain Management Support Programme implemented in departments, entities and municipalities by 2023	Supply Chain Management (SCM) Bid Committees workshops have been conducted and +/-12000 officials in all three spheres of government attended mostly through virtual platforms thus realising cost savings. Continuous support on SCM matters has been provided to the identified institutions and many others in all spheres of government including the delegated and non-delegated municipalities. The	N/A	N/A

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>Compliance Risk and Monitoring tool is at its final stages of development. This tool will be a proactive early warning tool for risk and assessing the SCM maturity level of institutions. This is done in collaboration with the University of Pretoria. A draft SCM Professionalisation Framework has been completed.</p> <p>The OCPO continued to support students through guest lectures at Nelson Mandela University, University of Johannesburg, Vaal University of Technology, and University of Pretoria Continued Education. Additionally, curriculum enhancements were made for public procurement qualifications at Vaal University of Technology and Tshwane University of Technology. A specialised learning program on SCM/Public Procurement was also developed in collaboration with the Enterprise University of Pretoria.</p> <p>Furthermore, the OCPO partnered with the National School of Government to review modules on Strategic Financial Leadership, Local Government strategy, and the CFO-focused module on Fiscal Excellence. To assist potential suppliers in navigating government procurement, radio campaigns were launched across various stations, and a Supplier</p>		

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>Information Booklet was created to simplify procurement processes. Engagement dialogues were conducted with the Department of Small Business Development (DSBD) and the Small Enterprise Development Agency (SEDA) to roll out a Supplier Development Programme (SDP) for Supply Chain Management across all state institutions.</p> <p>In addition, the OCPO contributed to the Anti-Corruption National Dialogue, supporting the National Anti-Corruption Advisory Council (NACAC) and the Presidency in strengthening the integrity and credibility of the public procurement system. Finally, the organisation led and finalised the World Bank/OECD MAPS process for Pillar II, ensuring alignment with global procurement standards and best practices.</p>		
	3.8. Programme to strengthen Asset Management in the Public Sector developed	2018 Baseline	Support Programme rolled out in Departments and Provinces by 2023	The National Treasury, through the Office of the Accountant-General (OAG), facilitated quarterly National Asset Management Forums to promote knowledge-sharing and problem-solving among national departments. Simultaneously, a provincial forum, chaired by the North-West Provincial Treasury and supported by the Provincial Accountant-General Asset Working Group, addressed similar asset	N/A	N/A

Outcome	Outcome Indicator	2019/20 Baseline	2024/25 Target	Actual achievement as at 31 March 2025	Reasons for deviation	Corrective action to be taken in the next planning cycle
				<p>management issues, including compliance with the Modified Cash Standard (MCS), lease asset reporting, and intangible asset treatment.</p> <p>Two Immovable Asset Register and Vesting Task Team meetings were held in October 2024 (Free State) and February 2025 (Limpopo) to address challenges related to state-owned land and property custodianship. Key issues such as municipal billing misalignment and delays in Municipal Property Rates Act guidance were discussed with stakeholders.</p> <p>In response, the OAG updated and distributed the Accounting Manual for Departments and enhanced training efforts. Despite increased engagement, gaps in consistent understanding of MCS requirements persist. During the 2024/25 financial year, 39 technical queries were addressed via the OAG's query portal, underscoring continued efforts to strengthen asset management and improve compliance across the public sector.</p>		

2.2 EXPLANATION OF ACHIEVED PERFORMANCE OVER THE 5 YEAR PERIOD

The National Development Plan (NDP) outlines a vision for building an inclusive economy that promotes social equality and shared prosperity. This vision was reflected in the National Treasury's work in support of the following priorities of government's 2019–2024 Medium-Term Strategic Framework (MTSF):

- Priority 1: A capable, ethical, and developmental state
- Priority 2: Economic transformation and job creation
- Priority 3: Education, skills, and health
- Priority 6: Spatial integration, human settlements, and local government
- Priority 7: A better Africa and world

National Treasury's efforts were closely aligned with these national priorities and aimed at improving the living standards of all South Africans, particularly by addressing the structural challenges of unemployment, inequality, and poverty. To give practical effect to these strategic goals, the department had identified three institutional outcomes to guide its work over the five-year period. These outcomes were supported by clearly defined outputs, which together were designed to drive measurable progress towards the overarching impact of improved living standards.

Institutional Outcome: Sustainable public finances

Sustainable public finances continued to underpin economic growth, maintaining the government's commitment to support vulnerable households and help reduce overall risks to the fiscal outlook. This approach avoided the dangers of risky fiscal action that leads to currency depreciation and economic instability. South Africa's economy is highly dependent on international capital flows, and the rand is sensitive to changes in market conditions. High and persistent government debt and deficits can raise lending rates across the economy, make it difficult to attract investors, and raise the cost of machinery and fuel imports. This institutional outcome was aligned to the mandate of the department in ensuring the stability and soundness of the financial system and financial services; coordinating intergovernmental financial and fiscal relations; managing the budget preparation process; and directly contributed to the MTSF Outcome: Functional, efficient and integrated government.

R100 billion Infrastructure Fund established and operationalised

Funding had been allocated to projects approved for funding in Window 8 of the BFI. A new BFI circular had been issued in February for quarterly windows of the BFI for 2025. The main aim has been to create a pipeline of projects and programmes that can leverage the capability and capacity of funding partners.

A policy decision has been made to merge the Infrastructure Fund with Government Technical Advisory Centre (Public Private Partnership Unit) and create a Centre of Excellence. Budget reforms and improvements in infrastructure value chain are being undertaken to improve the efficiency of project planning.

International financial institutions support mobilised

The Africa Investment Forum is Africa's investment marketplace, championed by the African Development Bank and its partners to accelerate the narrowing of the continent's investment gaps. It operated as a multi-stakeholder, multi-disciplinary platform dedicated to advancing projects to bankable stages, raising capital, and accelerating the financial closure of deals. National Treasury co-hosted the African Investment Forum on an annual basis in November each year since 2018. This event was a platform for funders to pledge both local and international projects. This work fed directly into the President's drive that was announced in 2018 to raise R100 billion in 5 years' time. To date, the projects presented have attracted investment interests valued at US\$339,4 billion. It must be noted that investment interests had reached a financial close to the projects implemented.

Funding of government's gross borrowing requirements met

In 2024/25, the budget deficit was R14.7 billion higher than projected in the 2024 Budget, mainly because revenue from collection fell below expectations. Due to the bond-switch programme, which exchanges shorter- for longer-dated debt, debt redemptions were R73.9 billion lower than estimated. Consequently, the gross borrowing requirement declined from a projected R457.7 billion to R398.2 billion. Government's closing cash balance amounted to R225 billion of which domestic cash balances were R80.7 billion higher than the 2024 Budget estimate. The higher cash balances will finance a portion of the gross borrowing requirement in 2025/26.

The fiscal strategy narrows the budget deficit over the medium term, supporting a sustainable borrowing and debt management strategy. Debt is expected to stabilise at 77.4 per cent of GDP in 2025/26. The gross borrowing requirement has increased from R579 billion at the time of the 2024 Budget to R588.2 billion in 2025/26. This will be financed through a combination of domestic short- and long-term loans, foreign-currency loans and the use of cash balances.

Enabling Intergovernmental Fiscal Framework that promotes financial sustainability

The provincial equitable share which is the main revenue source for provinces is made up of six components: education, health, basic, institutional, poverty and economic activity. To ensure fair funding allocations to each province, the provincial equitable share formula is updated to reflect demographic changes and demand for services based on need.

For the education component, the Learner Unit Record Information and Tracking System (LURITS) which was aimed to collecting unit record data for each learner in South Africa, from grade R through to Grade 12 was introduced in 2018/19 and fully phased in 2020/21. The review of the education component's enrolment subcomponent has been concluded, marking a significant

step toward more inclusive and equitable funding. The proposed reforms were designed to broaden the scope of this component by incorporating learners with special needs who are enrolled in dedicated centers an important group previously excluded, as the focus had been limited to those in ordinary schools. Furthermore, the reforms introduced a system of differentiation among learners to better account for the varying levels of educational need and support required. These changes were aimed at ensuring that funding accurately reflects the diverse realities within the education system. The education sector has endorsed the reforms, with implementation planned for the 2026 Medium-Term Expenditure Framework.

The National Treasury has made key strides in strengthening institutional and individual capabilities to support effective public financial management. A Capability Development Programme and a comprehensive Capability Development Strategy have been developed and formally approved by EXCO. These initiatives aim to enhance internal competencies, build institutional capacity, and ensure that the National Treasury remains well-equipped to fulfil its mandate efficiently and effectively. The National Treasury has drafted a concept document for the redesign of the LGMCDP. Furthermore, this document sets out the strategic vision, goals, and proposed improvements aimed at reinforcing financial management capabilities within local government. The objective is to support improved service delivery and strengthen compliance with financial governance standards at the local level. Engagement with stakeholders on the draft redesign of LGMCDP is already underway, ensuring that the revised programme will be informed by the insights and needs of key partners across the public sector.

The PTNG incentive criteria have been refined to create a more balanced and achievable eligibility standard. Municipalities are now required to meet at least two out of three specified performance indicators to qualify for the incentive. This adjustment aims to encourage broader participation while maintaining a focus on performance improvement and accountability. In addition, the IUDG has expanded its reach. Originally launched with eight intermediate cities as beneficiaries, the grant has since added two more municipalities (Alfred Duma and George) which met the qualifying criteria. This expansion demonstrates progress in building urban capacity and supporting integrated development in a growing number of intermediate cities.

In the 2021/22 MTEF, the Programme and Project Preparation Support Grant was introduced to support metropolitan municipalities in developing a pipeline of investment ready capital programmes and projects. Clear roles and responsibilities have been strengthened in the grant frameworks (that defines the roles of national, provincial, and municipal stakeholders) ensuring better coordination and accountability. Clear criteria for introducing new grants have been established, including alignment with strategic priorities, evidence-based needs, and stakeholder consultation.

Effective Provincial and Municipal Budget Systems

The National Treasury, in consultation with DCoG, completed a comprehensive assessment to identify municipalities in crisis based on four pillars of sustainability: governance, institutional arrangements, financial health, and service delivery. As of 31 March 2025, 88 municipalities were identified as having adopted unfunded budgets without credible funding plans and owed debts to water boards, SARS, pension funds, and AGSA. These municipalities received formal letters signed by the Director-General and the Minister of Finance, outlining the concerns and required actions. In response, the National Treasury invoked Section 216 of the Constitution, read together

with Section 38 of the MFMA, suspending the March 2025 LGES transfers to the affected municipalities until they complied with the directives. After reviewing the municipalities' response letters and supporting documentation, National Treasury released the withheld equitable share payments.

Municipal Eskom Debt Relief: Ongoing monitoring and support continue for the 71 municipalities participating in the debt relief programme. Monthly reports and submissions are escalated through various platforms, including the Portfolio Committee on Electricity and Energy, the Select Committee on Finance, the Budget Forum, the MFMA Joint Meeting, the Department of Local Government, and SALGA. Warning letters regarding possible termination were issued to 60 defaulters on 16 December 2024.

Water Debt Relief: DWS was supported in finalising the water relief scheme conditions, culminating in DWS's sign-off and initial roll-out through the Vaal Central Water Board and the DWS Water Trading Entity.

Revenue Management Enhancements: The Single Integrated Revenue Management Framework's Revenue Management Tool was rolled out to provincial treasuries in North-West, Gauteng, Mpumalanga, and Free State. Additionally, training on Tariff and General Valuation Roll Tools was conducted at provincial treasuries and municipalities to strengthen the revenue value chain.

Regarding provincial finances, accruals for 2023/24 totaled R37.1 billion, representing 4.96% of the annual provincial budget of R747.4 billion. Of this amount, R19.7 billion (53%) comprised accruals less than 30 days old, while the remaining R17.4 billion was overdue for more than 30 days.

Township economies investment and support strategy compiled and implemented

National Treasury has achieved its commitment to support five TED strategies and eight prioritised projects formally approved by the executive management teams of participating cities. Implementation is currently underway, supported by a combination of internal municipal resources and external funding. In addition to some metros allocating internal budgets to priority projects, the programme has successfully leveraged funding through the Neighbourhood Development Programme Grant and forged partnerships with key stakeholders. These include Inkwazi Isu and the World Bank's ProBlu programme (supporting the Pinetown South project), the African Development Bank (Hammanskraal), and GIZ's Violence Prevention Programme and FinTech initiative (New Brighton).

The TED programme was initially implemented through partnerships with the European Union's EDSE programme, the World Bank Group, and inter-governmental collaboration primarily with the Department of Small Business Development. In 2022, the programme's partnership base expanded further through an agreement with the UK's Foreign, Commonwealth and Development Office (UK-FCDO), which provided additional technical assistance funding. These collaborations have significantly strengthened the programme's capacity to support inclusive and sustainable township economic development.

The establishment of transversal collaboration in the TED projects remains a major challenge, rooted in rigid institutional mandates and approaches. Departmental silos and misalignment

between spatial, economic, transport, parks and recreation, and safety objectives have been observed throughout the project. There is also limited political support for TED in the Metro leadership. Considering the project close out, the learnings will be factored into project design for future TED projects in the city.

Reduction of illicit financial flows

Following the completion of the report titled “Assessing Tax Compliance and Illicit Financial Flows in South Africa” by OECD and National treasury, an interdepartmental working group that comprises NT, South African Reserve Bank (SARB), Financial Intelligence Centre (FIC), South African Revenue Service (SARS), National Prosecuting Authority (NPA), South African Police Service (SAPS) and Special Investigating Unit (SIU) had commenced work on the development of the national policy and approach to reduce illicit financial flows. The project remains in Phase 2, with the focus on the drafting of the Strategy. The Steerco departments continue to submit their draft inputs, which are currently undergoing a thorough review process. While significant progress has been made, the review process is comprehensive and ongoing, ensuring that all inputs are meticulously evaluated and integrated into the final strategy.

Institutional Outcome: Coherent economic policy advocated

Coherent economic policy has been advocated through sound policy advice on the economic environment in relation to the objectives of growth and job creation and helps to improve South Africa’s macroeconomic and microeconomic framework as policy advice is mainly focused on creating decent employment through inclusive economic growth. This institutional outcome is aligned to the mandate of the department in promoting the national government’s fiscal policy and the coordination of macroeconomic policy and directly contributed to the MTSF Outcome: Investing for accelerated inclusive growth.

Macroeconomic policy reviewed to support growth

Development in the economy have been informed by the macroeconomic policy framework, with that framework evolving alongside the economy itself. Given the ever-evolving nature of the economy, it is necessary from time to time to review the macroeconomic framework to assess both its historical impact and its optimality given current circumstances. National Treasury has finalised the review of the macroeconomic policy framework. The policy review examines how key indicators, such as economic growth and employment, have evolved since 2008 to present; assesses government’s fiscal and monetary policy choices; and offers policy implications. The review document has formed the basis for consultations, additional research, and input into more recent MTBPS and Budgets. The Macro Review published with BR2024 indicates that the macroeconomic Policy framework is broadly fit for purpose and that the medium to long term growth is dependent on a sustainable fiscal trajectory. Sustainable fiscal policy is set in MTBPS and Budget of each year with a view to trade-offs a medium-term path towards debt sustainability

Financial sector code reviewed

The review of the financial sector code is still underway between the FSTC constituencies. The Council received a report on the Bilateral consultations undertaken by National Treasury to facilitate the resolution of areas of disagreement, with regard to the MOI. The Council is in the process of determining the next steps. There is positive progress on the State of Transformation report. The Draft report was presented to the Reporting Working and Council.

Areas of disagreement amongst constituency members and the inability by some constituencies to attend meetings have impeded progress.

On the 4th of March 2025, the FSTC held a dedicated workshop to address the trust deficit issues that appeared to impede progress. The engagements amongst constituencies have improved after the workshop. In the last RWC meeting, the FSTC secretariat and chair of the RWC were mandated to engage and consult with organised labour constituency. A dedicated workshop (Chaired by NT) has been scheduled to address some of the main areas of disagreement.

Policy directives in preferential procurement for Institutions to spend by sex/gender, age and disability developed

Parliament passed the Public Procurement Bill in May 2024 and submitted it to the President for assent. The President signed it into law on 18 July 2024, officially enacting it as the Public Procurement Act, No. 28 of 2024. The Act was subsequently gazetted on 23 July 2024. In line with its provisions, the Act requires the Minister to issue regulations by notice in the gazette on matters prescribed by the legislation. The National Treasury is currently in the process of developing these regulations to support the effective implementation of the Act. It is anticipated that the regulations will be promulgated by the Minister during the 2025/26 financial year. The Act will come into effect on a date, or dates, to be determined by the President by proclamation in the gazette, which may vary for different provisions and categories of procuring institutions.

Promoting implementation of investment strategies in Provinces/ Municipalities and sound intergovernmental spatial budgeting that contributes to economic growth

A total of 24 investment plans were developed and approved over the five-year period from 2020 - 2025. The annual breakdown is as follows: 3 plans in 2020/21, 6 in 2021/22, 3 in 2022/23, 6 in 2023/24, and 6 in 2024/25. This consistent progress reflects a sustained effort to strengthen investment planning and implementation across the medium term.

Significant progress has been made in improving regulatory efficiency across key municipalities, as demonstrated by recent performance on key service delivery indicators.

- Getting Electricity: City of Ekurhuleni reduced the number of days by 36%, Nelson Mandela Bay reduced the number of days by 26%, City of Tshwane reduced the number of days by 47%, City of Cape Town reduced the number of days by 14%, while the City of Johannesburg

achieved an even greater improvement with an 18% reduction. These gains reflect ongoing efforts to enhance operational efficiency and accelerate access to basic services.

- Construction Permits, 3 metros were automated (City of Cape Town, City of Johannesburg, eThekweni), eThekweni has achieved a 52% (from 17 to 8 steps) in number of procedures, and 88% reduction (from 117 to 14 days) in turn-around times, the City of Johannesburg made a substantial impact by cutting the time taken to approve building plans by 70%, indicating a strong commitment to reducing bureaucratic delays and supporting development activity.
- Registering Property, 6 metros have been automated. 5 cities recorded noteworthy reductions in turnaround times. Mangaung from 28 to 5 days, City of Cape Town from 29.5 to 10 days, City of Ekurhuleni reduced by 40%, the City of Tshwane achieved a 19% reduction, and Buffalo City led the improvements with a 60% decrease in processing time. These results underscore the municipalities' efforts to streamline property registration processes and improve service delivery to residents and investors alike.

Institutional Outcome: Sound financial controls and management of public finances

Sound financial controls and management of public finances underpins reducing unauthorised, irregular, fruitless and wasteful expenditure and bringing about efficient and cost-effective procurement across government. National Treasury's efforts, working in concert, enable the efficient, economic, effective, and transparent use of financial and other resources, including state assets, for improved service delivery; that supports and enforces transparent and effective management of state procurement and sound stewardship of government assets and resources. In addition to strengthening legislative frameworks, capacity, capabilities, systems and processes of financial governance and management, the National Treasury will continue to tirelessly fight corruption and maladministration by conducting forensic audits and special performance audits and reviewing internal controls. This institutional outcome is aligned to the mandate of the department in enforcing transparency and effective management in respect of revenue and expenditure, assets and liabilities, public entities and constitutional institutions and directly contributed to the MTSF Outcome: Functional, efficient and integrated government.

Reduction of unauthorised, irregular, fruitless and wasteful expenditure in the public sector by 2022

MFMA Institutions

In an effort to support municipalities to develop and implement the Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIF&WE) Reduction Strategy, the National Treasury has taken various steps to assist municipalities by providing the following:

Training Programs: Enhanced the capacity of financial officers, MPACs, Disciplinary Boards, and other relevant municipal officials through targeted training sessions.

Direct Support and Oversight: Implemented support programmes through direct high intervention in municipalities identified as having high levels of fruitless and wasteful expenditure, as well as irregular expenditure. National Treasury deployed experienced personnel

to work directly with municipal officials, the support programmes facilitated corrective action, enhanced internal controls, and built a long-term financial governance capacity within affected municipalities.

Enhanced identification and reporting Mechanisms: strengthened the ability of municipalities to identify, report, and rectify instances of irregular expenditure more efficiently.

Issuance of various circulars: The National Treasury continues to provide clear guidance for financial management and reporting aimed at reducing instances of irregular expenditure.

The National Treasury continues to support the implementation of the Consequence Management Framework through the capacity building workshops targeting both officials, councillors and members of the disciplinary board.

It should be noted that not all municipalities are implementing measures to investigate allegations of financial misconduct and implement consequence management. MFMA Financial Disciplinary Boards have been established, however, these are not all effective as not all municipalities are referring matters for investigation and are not concluding matters in time.

National Treasury to consider amendments to the MFMA and to establish a Special Committee to deal with investigations and referrals relating to allegations of financial misconduct. This measure will enable NT to process and take necessary actions to address delays experienced in attending to such matters by municipalities on a timely basis.

PFMA Institutions

The Progress report on Improvement of Financial Management and Compliance for the 2023/24 financial year was developed and finalised in March 2025. The analysis for UIF&WE reveal the following: Unauthorised expenditure incurred by national departments in the 2023/24 financial year amounted to R 4.9 billion. Irregular expenditure incurred by national departments during the 2023/24 financial year amounted to R 2.9 billion. Irregular expenditure incurred by national public entities during the 2023/24 financial year amounted to R 20.6 billion. Irregular expenditure incurred by constitutional institutions in the 2023/24 financial year amounted to R 77 million.

Fruitless and wasteful expenditure incurred by national departments during the 2023/24 financial year amounted to R 162 million. Fruitless and wasteful expenditure incurred by national public entities during the 2023/24 financial year amounted to R 1.1 billion. Fruitless and wasteful expenditure incurred by constitutional institutions during the 2023/24 financial year amounted to R 1.1 million.

The National Treasury undertook the following initiatives in assisting PFMA Institutions: For quarter 4, the National Treasury responded to four condonation requests for irregular expenditure from the PFMA institutions of which one request was condoned. The other three were referred back to the institution to address further in terms of the PFMA Compliance and Reporting Framework, Instruction No. 4 of 2022/2023. Seven formal responses on the interpretation of UIF&WE were received and responded to. Three information sessions on irregular expenditure were also conducted. The National Treasury further responded to queries on UIF&WE from PFMA institutions to assist institutions to deal with these expenditures. Technical meetings were held throughout the quarter to assist in providing clarity on the interpretation of the framework dealing with UIF&WE. The National Treasury further assisted institutions with resolving audit dispute queries.

Number of identified “high risk” State Owned Entities (SoEs) governance system reviewed and recommendations implemented

The DBSA embarked on a thorough review of its Target Operating Model not as a cost-cutting measure, but as a proactive step to position the Bank for future growth and alignment with its long-term strategic objectives. The leadership undertook a full value chain assessment and submitted proposed changes to the Board, which endorsed a revised operating model and digitisation framework. This has led to the implementation of a new divisional structure and a reconfigured top leadership team. The Bank has since begun refining its divisions to retain core capabilities while integrating new functions to support strategic initiatives. These structural and digital enhancements are designed to ensure that the DBSA continues to meet its performance targets as outlined in the Corporate Plan and remains responsive to both national and international stakeholders.

Meanwhile, the Land Bank has made significant progress in its recovery and transformation journey following its debt default in April 2020. After a lengthy negotiation process with all 54 lenders, the Bank reached a comprehensive debt restructure agreement, which came into effect on 1 September 2024. The successful execution of scheduled payments by 30 September 2024 enabled the Land Bank to formally cure its debt default, marking a critical milestone in its financial stabilisation.

In parallel, the Land Bank also undertook a two-phase organisational restructure aimed at realigning the institution with its Board-approved turnaround strategy. Phase 1, completed and approved in March 2024 and implemented from April 2024, involved a detailed review of the Bank’s delivery model, processes, and organisational structure, including both executive macro and departmental micro levels. Phase 2, executed in collaboration with PwC, focused on the people and performance dimensions evaluating organisational culture, performance management systems, the employee value proposition, talent management, and change management processes. With the completion of both phases, the Land Bank has fully implemented its new operating model and structures, resulting in a fully capacitated and fit-for-purpose institution ready to deliver on its mandate.

These transformation initiatives at both DBSA and the Land Bank signal a strong commitment to institutional renewal and resilience, ensuring these development finance institutions are well-positioned to contribute meaningfully to South Africa’s economic development agenda.

Implement the Integrated Financial Management System (IFMS) in the public sector

The project approach was revised to better meet the evolving needs of government departments, respond to technological advancements, and align with broader initiatives such as the Digital Transformation of Government, jointly led by the National Treasury and the Presidency. This new approach emphasises flexibility and modularity, focusing on delivering practical, user-driven solutions. A key development under this approach was the creation of a Single Sign-On Portal, which served as a secure, central access point for government officials to interact with both legacy systems and newly developed digital tools or modules. Work is ongoing to implement further digital solutions, including the automation of financial statements and the modernisation

of transversal contracting processes, supporting greater efficiency and digital maturity across government.

Strengthen Municipal financial systems

The National Treasury, in consultation with DCoG finalised the process of identifying municipalities that are in a crisis, using four pillars of sustainability i.e., governance, institutional arrangements, financial health and service delivery. As of 31 March 2025, a total of 88 municipalities that adopted the unfunded budgets without credible funding plans and owe water boards, SARS, Pension Funds and AGSA received letters signed by the DG and the Minister of Finance. Subsequently, the National Treasury invoked Section 216 of the Constitution read together with Section 38 of the MFMA, by stopping the transfers of the March 2025 LGES to the affected municipalities, until they complied to the directive of the DG and the Minister. Upon review of the response letters and related supporting documents received from the affected municipalities, National Treasury released the March tranche of the equitable share to all the affected municipalities

Municipal Eskom Debt Relief: Ongoing monitoring and support is being provided to the 71 debt relief participants. Monthly submissions and reports are being escalated across various platforms, including to the Portfolio Committee Electricity and Energy, Select Committee of Finance; Budget Forum, MFMA Joint Meeting; Department of Local Government and SALGA. Warning letters of impending termination were issued to 60 defaulters on 16 December 2024.

Water Debt Relief: DWS was supported with the compilation of the water relief scheme conditions to the point of DWS sign-off and initial roll-out by Vaal Central Water Board and DWS: Water Trading Entity

Single Integrated Revenue Management Framework: The Revenue Management Tool was rolled out in the North-West, Gauteng, Mpumalanga and Free State provincial treasuries.

Tariff and General Valuation Roll Tools: Training was conducted at provincial treasuries and municipalities as part of revenue value chain enhancement.

It should be noted that not all municipalities are honouring the agreements they entered into with third parties such as water boards, SARS, Pension Funds and AGSA. Municipalities are also not responding to letters sent by NT. Some municipalities have threatened to take the National Treasury to court on this matter. Some PTs are defending municipalities, even after the thorough consultation through the TCF subcommittee that was conducted. Public consultation challenges and lack of community acceptance experienced has been identified as significant risks to the project.

The number of meters required in municipal applications is significantly overstated due to two primary reasons. Firstly, municipalities lack a reconciled asset register, resulting in discrepancies between actual meters on the ground and financial systems. Secondly, the overstatement appears to be an attempt to enhance their applications, potentially to secure more grant funding for smart meter projects.

There is a general lack of commitment by municipal officials. Inaccurate figures submitted in the Section 71 reports which delays payment. Not all Council and key officials have been eager to address discrepancies identified in the tariff structure and the General Valuation Rolls.

National Treasury will continue engaging with respective municipalities by writing letters of non-compliance and communicate with PTs and request them to assist the National Treasury to enforce compliance.

Programme to strengthen the Supply Chain Management and Procurement System in the public sector developed

The OCPO has made significant strides in enhancing the effectiveness, integrity, and professionalisation of Supply Chain Management (SCM) across all spheres of government. A key achievement was the successful rollout of SCM Bid Committees workshops, which reached approximately 12,000 officials nationwide. Conducted primarily through virtual platforms, these sessions resulted in substantial cost savings while improving accessibility and participation. The OCPO also continued to offer ongoing support on SCM matters to a wide range of institutions, including both delegated and non-delegated municipalities. In a move towards a more proactive approach to compliance and risk management, the OCPO, in collaboration with the University of Pretoria, is finalising the development of the Compliance Risk and Monitoring Tool. This innovative system is designed to assess the SCM maturity level of institutions and identify potential risks, thereby enabling timely interventions. Additionally, a draft SCM Professionalisation Framework has been completed, laying the foundation for the long-term enhancement of procurement skills and competencies in the public sector.

The OCPO has maintained its commitment to knowledge sharing and academic collaboration by supporting students and faculty through guest lectures at Nelson Mandela University, the University of Johannesburg, Vaal University of Technology, and the University of Pretoria's Continuing Education programme. As part of broader curriculum development efforts, the OCPO contributed to the enhancement of public procurement qualifications at both the Vaal and Tshwane Universities of Technology. A specialised learning programme in SCM/Public Procurement was also designed in partnership with the University of Pretoria's Enterprise division, offering a targeted and practical learning experience.

To support strategic leadership development in the public finance sector, the OCPO worked closely with the National School of Government to review key learning modules. These included Strategic Financial Leadership, Local Government Strategy, and the CFO-focused Fiscal Excellence module. To empower potential suppliers and simplify access to government procurement opportunities, the OCPO launched educational radio campaigns and developed a comprehensive Supplier Information Booklet. Furthermore, through collaborative engagement with the Department of Small Business Development (DSBD) and the Small Enterprise Development Agency (SEDA), the OCPO initiated the rollout of a Supplier Development Programme (SDP) aimed at strengthening supplier readiness and participation across state institutions.

In its efforts to promote integrity and transparency in public procurement, the OCPO played an instrumental role in the Anti-Corruption National Dialogue. It actively supported the work of the National Anti-Corruption Advisory Council (NACAC) and the Presidency to strengthen the credibility of procurement systems. Finally, the OCPO successfully led and concluded the World Bank/OECD Methodology for Assessing Procurement Systems (MAPS) process for Pillar II, ensuring that South Africa's public procurement practices align with international standards and best practices. Through these comprehensive initiatives, the OCPO continues to demonstrate its

commitment to building a more transparent, professional, and efficient public procurement system that supports service delivery, economic inclusion, and good governance.

Programme to strengthen Asset Management in the Public Sector developed

The National Treasury, through the OAG, has continued to play a pivotal role in strengthening asset management practices across the public sector. Central to this effort were the quarterly National Asset Management Forums, which served as vital platforms for knowledge-sharing, collaboration, and problem-solving among national departments. These forums have proven instrumental in driving improved understanding and application of key asset management principles. Concurrently, a dedicated forum for provincial departments chaired by the North-West Provincial Treasury and supported by the Provincial Accountant-General (PAG) Asset Working Group, continued to operate effectively. These sessions tackled complex issues such as compliance with the Modified Cash Standard (MCS), accurate finance lease asset reporting, and the treatment of intangible assets like software and licenses, ensuring a consistent and aligned approach across all provinces.

To address persistent challenges surrounding state-owned land and immovable property custodianship, two national Immovable Asset Register and Vesting Task Team meetings were convened in October 2024 in the Free State and in February 2025 in Limpopo. These engagements provided a platform to discuss legislative and reporting constraints, including issues related to municipal billing misalignments and delays in resolving practice note requests under the Municipal Property Rates Act. Constructive feedback from stakeholders informed the continued refinement of guidance materials and the expansion of targeted training initiatives.

As part of its broader support to departments, the OAG updated and rolled out the revised Accounting Manual for Departments, equipping practitioners with improved tools for compliance. However, despite increased participation and engagement, challenges persist in achieving uniform understanding and application of the MCS requirements among asset practitioners and departmental accountants. To further support awareness and compliance, the OAG maintained its dedicated query portal, responding to a total of 39 technical queries during the 2024/25 financial year. These interactions highlight the OAG's commitment to providing responsive, hands-on support to departments while continuously strengthening the asset management environment across all spheres of government. Through these coordinated efforts, the National Treasury is reinforcing sound asset governance, improved reporting practices, and long-term financial sustainability in the public sector.

3. DEPARTMENTAL EVALUATIONS CONDUCTED

Municipal Finance Improvement Programme Evaluation

In 2021/22, the National Treasury completed an evaluation of its Municipal Finance Improvement Programme (MFIP). The MFIP is a strategically driven programme that provides technical support aligned with the six local government financial management game changers. Its primary objective is to strengthen institutional and technical financial management capacity through the deployment of technical advisors across the National Treasury, provincial treasuries, and municipalities.

Cities Support Programme Phase II mid-term review

A rapid mid-term review was conducted to assess the implementation of Cities Support Programme (CSP) Phase II over the period from 1 March 2019 to 31 December 2021. The CSP, is located within the Intergovernmental Relations (IGR) division of the National Treasury, serves as both a catalyst for change and a platform for collaboration and integration. Its primary goal is to strengthen the capacity of metropolitan municipalities and foster an intergovernmental fiscal and policy environment that supports city-driven transformation. The programme focuses on promoting sustainable, inclusive, and integrated cities through improved governance, infrastructure investment, and service delivery.

The purpose of the review was to identify progress made, challenges encountered, and opportunities for enhancing the programme's effectiveness in its remaining implementation period. The findings are intended to make adjustments that will ensure CSP continues to contribute meaningfully to urban development and reform efforts across participating cities. The mid-term review of the CSP Phase II has been completed, approved, and officially published on the CSP website. This marks a key milestone in the programme's implementation, providing valuable insights to inform ongoing improvements and strategic direction for the remainder of the programme period.

Evaluating the perception on the risk culture within local government

The objective of the research study was to assess perceptions of risk culture within local government. The survey questionnaire used in the study was informed by a review of scholarly literature and relevant public sector reports. National Treasury has developed a risk culture assessment tool and recommends its use by municipalities to objectively evaluate the state of their organisational risk culture. Based on insights gained from this initial study, the research was expanded to cover all municipalities, with the aim of exploring the relationship between organisational risk culture and the achievement of predetermined objectives.

A study on the effects of the type of risk management committee chairpersonship on the performance of national departments

Building on a preliminary study conducted in the 2021/2022 financial year, this research assessed the impact of different types of Risk Management Committee (RMC) chairpersonship on the performance of national departments. Specifically, the study examined whether RMCs were more effective when chaired by independent individuals, those with no employment contract with the department or by senior managers from within the institution.

The chairpersonship of RMCs was found to be a key factor influencing their overall effectiveness, and by extension, the performance of the department. The study confirmed that the majority of risk management professionals, many of whom had considerable experience in the field, believed that an independent chairperson was best suited to lead a Risk Management Committee. This finding aligned with the Public Sector Risk Management Framework, which advocated for the appointment of independent chairpersons to enhance objectivity and governance.

Supply Chain Management performance evaluation

The Strategic Planning, Monitoring and Evaluation (SPM&E) Unit conducted a performance evaluation of Supply Chain Management (SCM) with the aim of strengthening procurement practices by identifying performance barriers that hinder the effectiveness and efficiency of the SCM value chain. The evaluation also sought to highlight areas for improvement and provided recommendations for remedial measures to enhance operational efficiency and responsiveness to the department's procurement needs. The study emphasised the need to reinforce the integration of performance planning, budgeting, and demand planning across all levels of National Treasury's planning ecosystem. It further recommended the establishment and progressive maturation of the organisational governance and compliance environment within procurement. This included ensuring that all necessary policies, frameworks, and standard operating procedures were in place.

The study also highlighted the need to modernise, automate, and integrate SCM processes within the broader planning and reporting ecosystem. This would be supported by the rollout of the National Treasury's Organisational Performance Management Monitoring System (OPMMS), which includes a procurement module designed to facilitate effective stakeholder engagement through an automated platform. The rollout of the system is at an advanced stage.

4. RESOURCES UTILISED OVER THE FIVE-YEAR PERIOD

Programmes	2020/21	2021/22	2022/23	2023/24	2024/25	Total	%	2020/21	2021/22	2022/23	2023/24	2024/25	Ave Ann
	Audited Outcome	Audited Outcome	Audited Outcome	Audited outcome	Pre-audited outcome	R'000	%	% Growth	% Growth	% Growth	% Growth	% Growth	% Average
	R'000	R'000	R'000	R'000	R'000	R'000	%						
Administration	496,345	455,063	486,826	486,176	699,268	2,623,678	2%	9%	-8%	7%	-0.1%	44%	10%
Economic Policy, Tax, Financial Regulation and Research	124,730	125,304	119,142	127,462	120,056	616,696	0%	0%	0%	-5%	7%	-6%	-1%
Public Finance and Budget Management	2,697,171	4,200,770	4,289,832	3,977,671	3,589,545	18,754,989	11%	-8%	56%	2%	-7%	-10%	7%
Asset and Liability Management	3,022,592	26,663,167	5,225,491	656,361	137,940	35,705,551	21%	3025%	782%	-80%	-87%	-79%	712%
Financial Accounting and Supply Chain Management Systems	696,625	761,688	716,652	754,884	734,372	3,664,221	2%	-5%	9%	-6%	5%	-3%	0%
International Financial Relations	6,640,502	7,826,450	2,848,635	2,707,658	2,321,449	22,344,694	13%	22%	18%	-64%	-5%	-14%	-9%
Revenue Administration	10,271,873	11,295,167	11,635,781	13,280,696	12,388,563	58,872,080	35%	8%	10%	3%	14%	-7%	6%
Financial Intelligence and State Security	4,942,888	4,999,521	5,395,482	5,424,478	5,265,620	26,027,989	15%	0%	1%	8%	1%	-3%	1%
Total Voted Funds	28,892,726	56,327,130	30,717,841	27,415,386	25,256,815	168,609,898	100%	19%	95%	-45%	-11%	-8%	10%
Current payments	1,880,793	2,138,384	2,203,097	2,203,097	2,203,097	11,072,373	7%	-7%	14%	3%	0%	0%	2%
Compensation of employees	778,646	826,004	850,434	905,571	970,590	4,331,245	3%	-3%	6%	3%	6%	7%	4%
Goods and services	1,102,147	1,312,380	1,352,663	1,309,057	1,664,881	6,741,128	4%	-9%	19%	3%	-3%	27%	7%
Transfers and subsidies	17,690,306	19,377,976	21,516,720	22,137,978	21,680,786	102,403,766	61%	-2%	10%	11%	3%	-2%	4%
Payments for capital assets	45,626	24,544	37,652	18,140	123,368	249,330	0%	237%	-46%	53%	-52%	580%	154%
Payments for financial assets	9,276,001	34,786,226	6,960,372	3,044,640	817,190	54,884,429	33%	117%	275%	-80%	-56%	-73%	37%
Total	28,892,726	56,327,130	30,717,841	27,415,386	25,256,815	168,609,898	100%	19%	95%	-45%	-11%	-8%	10%

Compensation of employees

Over the past 5-year period, expenditure on compensation of employees for the department amounted to R4.331 billion which constitutes 3% of the departmental total spending over the same period. The spending went towards the headcount averaging 1100 per annum. This has increased at an average of 4% primarily due to the cost-of-living adjustments and filling of vacant positions.

Goods and services

Over the past 5-year period, expenditure on goods and services amounted to R6.741 billion in total which constitutes 4% of the departmental total spending. This expenditure was made up of various line items which cover the day-to-day spending on operations of the department. However, the significant part of the spending on goods and services was on consultancy services, computer services and Inventory. These three-line items are the main cost drivers of the department on goods and services spending. They amount to R5.755 billion, which constituted 85% of the R6.741 billion.

The consultancy services spending is largely within the catalytic infrastructure and development support programme which comprises of the Municipal Finance Improvement Programme (MFIP), Infrastructure Delivery Improvement Programme (IDIP), Cities Support Programme (CSP), Neighbourhood Development Partnership Grant-Indirect (NDPG) as well as the Municipal Revenue Management Improvement Programme (MRMIP). Expenditure on computer services as the second largest cost driver is mainly on the financial systems which comprises of the maintenance and support of the legacy systems, Basic Accounting System (BAS), Personal and Salaries Management System (PERSAL), Logistical Information System (LOGIS), Vulindlela and

the Integrated Financial Management System (IFMS), and the Inventory which is the third largest cost driver is mainly for the Smart Meters project.

Transfers and subsidies

The transfers and subsidies amounted to R102.404 billion, which constituted 61% of the total departmental spending during this period. This is the largest spending component for the department, and it comprises of different categories of transfers, i.e. department agencies account largely for Public Entities reporting to the Minister of Finance, the conditional grants to municipalities, the civil and military pensions as well as the foreign governments and international organisations.

Transfers or allocations to the Public Entities reporting under the department consist of the Financial Intelligence Centre (FIC), Accounting Standards Board (ASB), Independent Regulatory Board of Auditors (IRBA), Financial and Fiscal Commission (FFC) and South African Revenue Service (SARS) amongst others. SARS constituted 35% or R58.872 billion of the transfers total spending of R102.404 billion over the 5 past financial years. In addition to the entities above, there is also state security for secret services and the Financial Intelligence Centre which is also one of the largest transfers that has constituted 15% or R26.028 billion.

The conditional grants to various municipalities in line with the Division of Revenue Act (DoRA) comprise of the Neighbourhood Development Partnership Grant (NDPG), Infrastructure Skills Development Grant (ISDG), Programme and Project Preparation support grant (PPP) and Local Government Financial Management Grant (LGFMG) which are consistent with spending year on year. Included in the expenditure was also spent towards job creation on the Jobs Fund projects, the transfer payment to the Government Technical Advisory Centre (GTAC). These constituted approximately 13% or R13.080 billion in spending for the past 5 financial years.

The foreign governments and international organisations are largely within the International Relations programme. These are also part of the large spending on transfers as it constituted approximately 6% or R10.332 billion in spending for the past 5 financial years. The international commitments include the Common Monetary Area (CMA) compensation, the Collaborative Africa Budget Reform Initiative (CABRI), Commonwealth Fund for Technical Cooperation (CFTC), International Finance Facility for Immunisation (IFFI), African Development Bank (AfDB) and the World Bank.

Payment for financial assets

The payment for financial assets is also one of the largest cost drivers within the department over the mid-term period. The spending on this area was mainly on the 7th capital instalment to the New Development Bank (NDB) for the BRICS bank, the World Bank and the African Development Bank for the acquisition of shares and the Land Bank. Included in this spending was the settlement of the SMS and Early Retirement penalty liabilities amounting to R4.5 billion to the Government Employee Pension Fund (GEPPF) and the payment of R3.9 billion made to South African Special Risk Insurance Association (SASRIA). These constituted approximately 33% or R54.884 billion in spending for the past 5 financial years.

5. SPENDING REVIEWS

In 2021/22, the National Treasury conducted spending reviews on the cost of reporting in programme 1, reviewed the efficiency of its spending on consultants due to its growing proportion in relation to compensation spending, as well as the funding of multilateral banks and the common monetary area due to persistent shortfalls in funding for these priorities.

Cost of Reporting in Programme 1

The spending review highlighted that the planning and reporting obligations placed on the supporting functions in Programme 1 have increased significantly over the recent past. The affected sub-programmes include Human Resources Management, Financial Management, Information and Communication Technology, Public Entities Oversight Unit, Internal Audit, Enterprise Risk Management and Strategic Planning, Monitoring and Evaluation.

These obligations have originated from various government-wide forums and special initiatives as well as the policy generating departments of government and are separately and discreetly developed with seemingly no consideration of existing planning and reporting instruments. Consequently, there was an identified prevailing risk that the information collected is duplicated amongst processes. It is worth noting that the intention of the Department of Planning, Monitoring and Evaluation was in part in consolidating these processes by housing them in a single department to enable streamlining, however this has not been realised, and the number of instruments has increased requirements.

The plethora of planning and reporting statutory obligations and increased ad hoc requests are creating cumbersome processes that tend to generate voluminous plans and reports that are not optimally used to enhance effectiveness and efficiency. The increased obligations placed on Programme 1 have resulted in increased capacitation of Programme 1 sub-programmes consequently increasing the compensation of employees and the utilisation of consultant services.

The outcome of this review has been taken up into a larger project to review the effectiveness and efficiency of government-wide planning and report obligations.

National Treasury has developed an integrated, automated planning, monitoring and reporting system for organizational performance, risk, fiancé, procurement and learning and innovation. This reduces the time taken to report thereby reducing the costs

Consultancy Services

Between 2016/17 and 2020/21, the National Treasury spent an average of R808 million per year on consultancy services 1.9 percent higher than its spending on compensation of employees during the same period. Therefore, the spending review recommended that the department develop an internal policy to govern the use of consultants.

As part of this policy, it was proposed that the number of consultancy hours be capped at 1,760 hours per financial year, compared to the average of 1,920 hours recorded during the review

period. This measure is intended to promote more efficient use of external resources and achieve long-term cost savings.

National Treasury has commissioned a series of reviews that includes programmes that utilise a consultant implementation model.

Multilateral Development Institutions

The review of the funding of multilateral banks and the common monetary area recommended that South Africa should:

- Use common monetary area payments as policy instruments to ensure that the area can serve as a foundation for a future monetary union in Southern Africa.
- Maintain and strengthen its shareholding in multilateral development banks, particularly the World Bank and the African Development Bank, through additional capital injections. This would enhance South Africa's influence over policy decisions in these institutions, ensuring greater alignment with the continent's development priorities.

In line with these recommendations, the National Treasury has reprioritised R134.5 million for the recapitalisation of the World Bank and R560.4 million for the African Development Bank over the Medium-Term Expenditure Framework (MTEF) period. This investment aims to reinforce South Africa's position and policy influence within these key multilateral institutions.

6. BUDGET AND PLANNING RECOMMENDATIONS FOR INCREASED EFFICIENCY

The department has initiated a process to strengthen the integration of planning and budgeting to enhance operational effectiveness. Budget plans should be explicitly linked to the departmental plans to ensure that key objectives and priorities are adequately funded and achieved.

Over the Medium-Term Expenditure Framework (MTEF), the budget prioritisation and allocation process will be enhanced by ensuring comprehensive justifications are provided for each budget requests. This enables the Executive Committee (EXCO) to make informed decisions and supports efficient resource allocation.

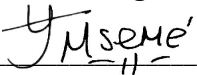
Going forward, the systematic alignment of budget submissions with institutional strategic priorities will be formalised and embedded within the department's financial planning and resource allocation frameworks. This process fundamentally entails a rigorous annual evaluation of programmes, projects, and deliverables to ensure continued alignment with departmental strategic objectives and prioritisation in respect of allocating financial resources given the continued budget constraint.

OFFICIAL SIGN-OFF


Unathi Ngwenya
Chief Financial Officer

Signature:  _____

Laura Mseme
Chief Director: Strategic Management and Oversight

Signature:  _____

Dr Duncan Pieterse
Accounting Officer: National Treasury

Signature:  _____

Approved by:

Enoch Godongwana, MP
Minister of Finance

Signature:  _____

NATIONAL
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**STRATEGIC
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2020-2025

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