



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

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SPEECH BY MINISTER OF FINANCE

BUDGET VOTE SPEECH BY MINISTER OF FINANCE, ENOCH GODONGWANA 17 JULY 2024

Honourable Chairperson;
Chairpersons of the Standing Committee on Finance, and Standing Committee on Appropriations;
Fellow Members of this House;

INTRODUCTION

Honourable Speaker, it is a privilege to deliver before you, and before the country, this year's budget vote for the National Treasury.

FISCAL OUTLOOK AND STRATEGY

Government remains committed to the stability of the public finances, to ensure inter-generational fairness and the preservation of critical public services. We also continue to strive to improve the transparency of the budget, maintain high quality data management and analysis, and to provide appropriate advice for the stability of the public sector wage bill and international development cooperation.

Since 2012, the public finances have been under strain. Fiscal deficits rose persistently to such an extent that the level of debt has reached over R5 trillion in the current financial year. This debt attracts debt-service costs which are estimated to exceed R380 billion this year, and crowd-out desperately



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

SPEECH BY MINISTER OF FINANCE

needed resources for service delivery. For this reason, our fiscal strategy aims to reduce the deficit and stabilize government debt.

Through a combination of spending controls and revenue measures, while supporting growth-enhancing measures, we aim to narrow the deficit to 3.4 per cent of GDP by 2026/27 and stabilize the growth of debt-service costs as a percentage of revenue. The financial outcomes of the 2023/24 financial year suggest that we are on-track to meet these objectives and I express my appreciation to the committees of appropriations and finance in both Houses of Parliament, which have supported us in the execution of this strategy.

ENHANCING AND ENFORCING A CREDIBLE TAX SYSTEM

To enhance fiscal sustainability and stability, the department will continue with the implementation of a credible fiscal framework to meet government's revenue requirements, and the promotion of a fair tax system. This will entail having to balance declining tax revenue with increasing government expenditure priorities. In its efforts to achieve this, the department will continue to provide responsive tax proposals that target improved environmental sustainability, less inequality and more revenue over the period ahead.

Additional allocations to SARS support continued efforts to rebuild the institution and improve revenue collection. At the same time, we will publish draft taxation legislation to improve the economic fairness and effectiveness of the tax system. We are speedily implementing the action plan agreed to by South Africa and the Financial Action Task Force (FATF). Government is working diligently and collaboratively to meet all of the deficiencies identified and believes that an exit from the grey-list can take place as early as the first period of 2025.



SPEECH BY MINISTER OF FINANCE

To support these initiatives, the department has allocated a budget of R31.2 million in Tax Policy subprogramme within Economic Policy, Tax, Financial Regulation and Research programme. The expenditure incurred in the first quarter of the current financial year amounted to R7 million which constitutes 23 per cent of the allocated budget.

SUPPORTING INFRASTRUCTURE DEVELOPMENT AND ECONOMICALLY INTEGRATED CITIES AND COMMUNITIES

One of the pillars of the macro-fiscal strategy is to improve the efficacy of public infrastructure investments. Various policy and regulatory reforms in the energy, transport and water sectors build the foundation to increase infrastructure investments.

Honourable Chair, at the time of the budget, I announced that the National Treasury published revised regulations for Private-Public Partnerships for public comment. These comments are currently being considered and I will be gazetting new regulations aimed at streamlining the administrative process, reducing the timelines and providing for a systematic approach to unsolicited proposals.

While these reforms continue, National Treasury is working on signing memoranda of agreement, similar to the agreement that governs the Independent Power Producers Office, in the transport and water sectors. The aim is to fast track, in a programmatic way, private sector participation in these sectors. The special Budget Facility for Infrastructure window is allowing us to pilot 2 critical reforms; project evaluation outside of the budget process and unencumbering infrastructure financing from the traditional mechanisms used to fund the operational aspects of the budget. Reforms associated with the latter will be included in the Medium-Term Budget Policy Statement.



SPEECH BY MINISTER OF FINANCE

The department will continue to enhance the ability of cities and metros to make sustainable contributions to economic development and generate tax revenue by implementing the catalytic infrastructure and development support programme and facilitating conditional grants. Through the implementation of township economic development strategies in 5 targeted metros (City of Cape Town, City of Ekurhuleni, eThekweni, Nelson Mandela Bay and City of Tshwane), the cities support programme will continue to provide support for spatialised, integrated and participatory economic development planning. This is expected to result in 35 catalytic projects over the medium term in strategically targeted areas within metropolitan cities, intermediate cities and rural towns.

Similarly, through the neighbourhood development partnership grant, the department will aim to implement urban network plans through 20 infrastructure development projects in targeted metros. The municipal finance improvement programme will continue supporting the financial management reform agenda to address financial management problems in local government. The department plans to comprehensively redesign the programme to enhance the support provided to all spheres of government to improve financial management compliance, support, monitoring and oversight in local government. To this end, over the medium term, the Catalytic Infrastructure and Development Support Programme subprogramme is allocated R94.9 million with an expenditure of R44.5 million in the first quarter. The conditional grants in the direct Neighbourhood Development Partnership Grant (NDPG) for 2024/25 financial year amount to R1.3 billion in the Facilitation of Conditional Grants subprogramme. Both subprogrammes are in the Public Finance and Budget Management programme.

The department has introduced the smart meters indirect grant over the medium term. This grant is aimed at supporting local government efforts to improve efficiency, billing accuracy and service delivery by empowering municipalities to deploy smart meter technology. This grant complements the Municipal Debt to Eskom relief measures and will target municipalities that are already part of



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

SPEECH BY MINISTER OF FINANCE

the programme. The grant provides better efficiency in energy provision and integrates renewable energy to meet consumer demands.

Apart from aiding these objectives, smart grid technologies help municipalities protect existing revenue and optimise overall revenue collection from their existing bases. This is expected to enhance revenue generation and cost recovery and underscores the department's commitment to sustainable development and the prioritisation of investing in energy infrastructure at the local government level.

To support this new initiative, the department has allocated a budget of R500 million in 2024/25 in the Catalytic Infrastructure and Development Support subprogramme in the Public Finance and Budget Management programme.

FACILITATING REGIONAL AND INTERNATIONAL COOPERATION

Following the successful hosting of the BRICS Summit, South Africa will host the G20 in 2025, and we look forward to driving the agenda for international financial and economic cooperation through this important forum. In addition, there is an amount of R1.6 billion for 2024/25 financial year earmarked in the programme for facilitating regional cooperation within the Common Monetary Area.

NATIONAL TREASURY'S DEPARTMENTAL BUDGET

The 2024/25 budget focuses the department on enhancing fiscal sustainability through (i) implementing a credible tax system; (ii) supporting sustainable employment; supporting infrastructure development and economically integrated cities and communities; (iii) managing future spending growth, fiscal risk and government's assets and liabilities; (iv) streamlining government



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

SPEECH BY MINISTER OF FINANCE

procurement; (v) strengthening financial management in government; and (vi) facilitating regional and international cooperation.

The department has a budget of R3.3 trillion over the medium term, of which 57.9 per cent (R1.9 trillion) is for transfers to provincial governments for the provincial equitable share. Cabinet has approved budget increases to the provincial equitable share amounting to R101.5 billion over the MTEF period for adjustments related to compensation of employees in the education and health sectors, and to the South African Revenue Service amounting to R1 billion per year in 2024/25 and 2025/26 to improve tax collection capacity. Over the same period, a decrease of R61.5 billion was implemented in non-compensation areas within the provincial equitable share. Debt-service costs account for an estimated 37.3 per cent (R1.2 billion) of direct charges against the National Revenue Fund over the period ahead.

CONCLUSION

House Chair, the interventions that I have outlined are just some of the measures that will be undertaken in this last financial year of the execution of the department's current 2020–2025 Strategic Plan which focuses the department's efforts on ensuring sustainable public finances, coherent economic policy and sound financial controls and management of public finances. I express my appreciation to the Director-General, Dr Duncan Pieterse and staff of the National Treasury, who continue to execute their responsibilities with dedication and commitment. I also wish to thank the President, Cyril Ramaphosa, the Deputy President, Paul Mashatile for their ongoing support. Let me also thank the Deputy Ministers of Finance, Dr David Masondo, and the newly appointed Deputy Minister Mr Ashor Sarupen as well as my Cabinet colleagues for their continued support. We look forward to the support of this Honourable House in delivering on our mission and mandate.

I thank you.