



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

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# SPEECH BY DEPUTY MINISTER OF FINANCE

## BUDGET VOTE SPEECH BY DEPUTY MINISTER OF FINANCE, ASHOR SARUPEN

8 July 2025

### INTRODUCTION

Honourable Chairperson,  
Honourable Members of Parliament,  
Fellow South Africans,

I stand before you at a time of immense challenge, but also of profound opportunity. We are a country contending with the drag of weak global growth and facing new risks from intensifying climate shocks and geopolitical tensions. These are the headwinds that shape our economic prospects.

Budgeting is about choosing, and the choice the GNU has made, through this Budget, is to rebuild state capability, restore fiscal integrity, and pursue reforms that support inclusive, sustainable growth.

Let me begin with a critical and emerging area of focus:

### Disaster Risk Financing Strategy

The Southern African region is experiencing a growing number of climate-related disasters, from flooding to drought, from cyclones to heat waves. These events are no longer rare



## SPEECH BY DEPUTY MINISTER OF FINANCE

occurrences. They are increasing in frequency and intensity, and they come with devastating human, social, and economic consequences.

They also have significant fiscal consequences. When disasters strike, government is forced to reallocate funds from other priorities to respond, often at the cost of long-term development. This cycle of crisis and reallocation is unsustainable.

That is why National Treasury will finalise and publish a National Disaster Risk Financing Strategy in the 2025/26 financial year. This strategy represents a critical shift, from reactive funding to proactive, planned disaster risk management.

### *The strategy will:*

- Introduce disaster risk financing instruments, including climate insurance products, to improve response time and predictability of funding;
- Embed disaster risk management in grant frameworks, particularly those for infrastructure and local government;
- Support line departments and municipalities in mainstreaming climate risk into their financial planning and investment decisions.

Our objective is simple: reduce the fiscal and human cost of disasters by planning for them, not just reacting to them. Climate change is not a future threat, it is a present reality, and our budget frameworks must reflect that.

## Rebuilding Local Government Finances



## SPEECH BY DEPUTY MINISTER OF FINANCE

Chairperson, if we want to rebuild public trust in the state, we must start where government meets the people, in municipalities.

Too many municipalities are failing in their core responsibilities. Service delivery breakdowns, fiscal mismanagement, and governance failures are all too common. Treasury is responding with targeted support and structural financial reforms.

Our approach focuses on the following key areas:

1. Adoption of Funded Budgets: Municipalities can no longer adopt unfunded budgets based on wishful projections. Treasury is enforcing the requirement for credible, funded budgets as the basis of municipal financial planning.
2. Revenue Value Chain Reforms: We are supporting municipalities to improve billing systems, strengthen collection rates, and protect revenue integrity. Without this, no budget can be sustainable.
3. Capacity Building: Through direct technical support, we are building the financial management skills of municipal officials, particularly CFOs and budget managers.
4. Financial Recovery Plans: For municipalities in financial distress, our Municipal Financial Recovery Services (MFRS) provide tailored recovery plans. These are not generic interventions, they are grounded in the real financial position of each municipality.
5. mSCOA Implementation: The Municipal Standard Chart of Accounts (mSCOA) brings transparency and uniformity to local government finances. It allows us to compare apples with apples — across municipalities, across provinces, and across time.



## SPEECH BY DEPUTY MINISTER OF FINANCE

6. Consequence Management: Treasury is working closely with COGTA and the AGSA to ensure that financial misconduct is addressed swiftly. Public money must be protected. Where there is wrongdoing, there must be consequences.

### **Metro Trading Service Reforms**

A major reform initiative underway, which I wish to highlight today, is our programme to turn around metro trading services, starting with water services. These services are vital to economic productivity and household well-being. And yet, in many metros, they are financially unsustainable, poorly managed, and in crisis.

The National Treasury is leading a programme to reform these services through three pillars:

#### *1. Financial Reforms:*

- Metros will be required to produce separate financial statements, for each trading service, so that we can clearly see what is viable and what is not.
- This transparency makes the financial relationship between the municipality and the service explicit.

#### *2. Institutional and Structural Reforms:*

- We are introducing single-point accountability for each service, including control over support services, asset management, and technical capability.
- No more fragmented accountability and buck-passing.

#### *3. Grant Reforms:*

- We are introducing performance-based financial incentives, linked to reform milestones.



## SPEECH BY DEPUTY MINISTER OF FINANCE

- These grants will be used to crowd in loan finance and private capital, enabling long-term infrastructure investment in trading services.

### *Key implementation milestones include:*

By 31 July 2024, metros submitted council-approved water business turnaround strategies. By 30 September 2024, metros submitted institutional reform roadmaps and business plans. This is one of the most ambitious metro-level reform programmes in democratic South Africa. It will take time.

But we are laying the foundation for services that are professionally managed, financially viable, and responsive to the needs of residents.

### **Reforming the Auditing Profession**

The auditing profession plays a critical role in financial markets and public accountability. Treasury is currently reviewing the Auditing Profession Act. The proposed amendments are designed to strengthen the Independent Regulatory Board for Auditors (IRBA) and align our regulatory framework with international best practice.

### *Key reforms include:*

- Enabling IRBA to implement mandatory audit firm rotation— to protect auditor independence.
- Authorising IRBA to prescribe levies and improve funding sustainability.
- Empowering IRBA to recognise foreign qualifications and conduct reciprocity agreements.



## SPEECH BY DEPUTY MINISTER OF FINANCE

- Removing restrictions that limit transparency around audit inspection outcomes.
- And strengthening IRBA's powers to enforce sanctions and extend the Board's term of office to ensure continuity.

The audit failures of previous years, in both the public and private sectors, have come at a cost. These reforms are not just technical changes; they are about fostering trust, integrity, and public confidence in the profession.

### Spending for Growth

As part of National Treasury's broader macroeconomic framework reforms to drive structural economic transformation and attract investment, public infrastructure spending will exceed R1 trillion over three years. This represents the fastest-growing area of government expenditure and is aimed at easing supply-side economic constraints and improving social service access.

The Budget Facility for Infrastructure (BFI) is being reconfigured to attract private sector participation through multiple appraisal windows, separated investment and financing decisions, and diversified financing instruments including guarantees, build-operate-transfer structures, and concessional loans.

New PPP regulations effective June 1, 2025, have reduced procedural complexity, with supporting frameworks for unsolicited proposals and fiscal commitments to be published soon, while municipal PPP regulations will be finalised before the Medium-Term Budget Policy Statement.



MINISTRY OF FINANCE  
REPUBLIC OF SOUTH AFRICA

## SPEECH BY DEPUTY MINISTER OF FINANCE

A single National Treasury-overseen structure will be established this year to systematically crowd-in private sector finance and expertise, consolidating large-scale project preparation, providing PPP technical support, improving data management, and enhancing private sector engagement.

### Conclusion

Honourable Members,

Recovery is not automatic. Reform is hard. Fiscal consolidation is hard. Rebuilding capability is hard.

But it is work worth doing.

Through this Budget Vote, the National Treasury recommits itself to the core responsibilities of a democratic state:

- To spend wisely,
- To manage honestly,
- To plan for the future, and
- To build institutions that serve all the people of South Africa.

I ask this House to support the National Treasury Budget Vote 8, and in doing so, to support the path of responsible, sustainable, and reform-oriented governance.

I thank you.

**END**