



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

8 July 2025

INTRODUCTION

Honourable Chairperson

Chairpersons of the Standing Committee of Finance and Standing Committee on Appropriations

Fellow Members of the House

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

In essence, the Constitution demands that the department be transparent, accountable and efficient in the allocation and distribution of public funds, while ensuring that sustainable public finances contribute to inclusive economic growth.

Honourable members, the budget vote I present today therefore reflects a balance between the technical and the political, the practical and the aspirational.

It is a balance between macro and microeconomics that in turn reflects a balance between local constraints and global realities, as well as being a balance between laws, policies and the ongoing journey. We are a nation moving towards a more equal society.



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NATIONAL TREASURY'S DEPARTMENTAL BUDGET FOR 2025/26

The department's budget (excluding direct charges) over the medium term is R91.835 billion, which is an average growth rate of 6.2% from 2024/45-2027/28.

The largest component is for transfers to the South African Revenue Service (SARS), which is allocated R45.760 billion, or 49.8% of the department's budget, for operations and capital projects over the medium term.

This is an increase of R8 billion of the SARS baseline compared to the 2024 Estimate of Expenditure.

Part of this increase is to improve effectiveness in revenue collection by enhancing their ability to collect debt through better systems, increasing staff capacity and modernising their processes to establish e-invoicing for VAT, instant payment systems and upgrades of customs infrastructure.

To monitor progress and improve transparency, last week we published monthly debt collection data from SARS for the first time.

The budget allocation per economic classification over the medium term is as follows:

- R3.422 billion on compensation of employees;



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- R6.983 billion on goods and services;
- R78.554 billion on transfers and subsidies;
- R89 million on payment of capital assets;
- and R2.786 billion on payment for financial assets.

MACROECONOMIC AND FISCAL STRATEGY

Our core function as the National Treasury is to achieve sustainable public finances, and for this we require sound controls to realise our goals such as job creation, lowering poverty and greater inclusion.

Our Annual Performance Plan 2025/26 sets out a clear and ambitious departmental programme to achieve these outcomes.

In Pursuit of Sustainable Public Finance

Madam Speaker, allow us to go into some detail about how we intend to achieve some of the objectives, and to update the house on the progress already made, and also the road that still lies ahead of us.

In terms of restoring sustainability and the impact of our public finances, a review of how the government spends money has been central to our policy efforts.

Spending reviews



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To achieve all of our national priorities we need to realise much greater efficiencies on the spending side.

Since 2013, 276 spending reviews have been completed.

I will be going to Cabinet to get commitment from colleagues to implement the outstanding recommendations arising out of these spending reviews.

This includes our review of government spending on the numerous public employment and labour market activation programmes across government, which has recommended the rationalisation of the 37 programmes across 16 departments.

Beyond this, there are new reviews that we plan to conduct, namely:

- An audit of ghost workers in the public service using a data-driven approach that links administrative and financial databases to identify bogus and non-existent employees and immediately remove them from the system.
- An infrastructure conditional grant review. This will assess why provinces and municipalities underspend, why projects are not delivered on time and within budget, and where relevant, why the quality of the deliverables is poor;
- We also plan a review of the remuneration of executives and board members of public entities. The aim is to develop a standardised framework for all schedule 3 public entities, based on their mandates, areas of influence, and the complexity of a given organisation.



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Our key focus is to strengthen proper planning and efficient execution, particularly at a municipal level, of infrastructure spending

Management of public debt

Through a growing primary surplus, the public debt-to-GDP ratio will stabilise over time and ensure that the government does not rely on additional borrowing to cover its non-interest expenses.

Work on additional fiscal measures is ongoing. The Department is currently assessing public comments and submissions to the technical papers published along with the National Budget documentation on 21 May 2025.

It is in this same spirit of strengthening the country's fiscal and macroeconomic policy, work is progressing well on the proposed lower to the inflation target.

We all agree that a lower inflation is good for the economy. There is no disputing that.

There has however been some confusion as to process of setting inflation-targeting policy in South Africa.

It needs to be clarified that this policy responsibility resides with the Minister of Finance, who sets the target in consultation with the SARB.

The SARB then operates independently to achieve the target.

Honourable members, let me make the important point that such decisions should not be taken in haste, without the necessary technical and political engagements that achieve a



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genuine consensus grounded in a thorough consideration of the social and economic realities.

Honourable members, other reforms to policy being embarked on by the department include changes to how we finance disaster risk.

The increasing intensity and frequency of climate change disasters in our country and the region, as we have seen in the tragic floods recently in Eastern Cape and KwaZulu-Natal, are resulting in severe economic and fiscal impacts that must be mitigated through proactive forward planning and budgeting.

The National Disaster Risk Financing Strategy is our response to these risks. Concurrent reforms are being prepared to strengthen the budget process as the foundation of sustainable public finances.

At the start of the 2025 MTEF process, the National Treasury announced a comprehensive review of the budget process. The review process has now been completed.

It has resulted in a set of actionable reform proposals, of which, the short-term changes will be implemented in the 2026 Budget process.

The changes include Cabinet's approval of the budget guidelines in order to strengthen the technical and political interface.



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Another key budget reform is the ***Targeted and Responsible Savings (TARS) system***.

The system is designed to unlock fiscal space by improving efficiency in public spending through a systematic evaluation process.

Programs will be selected for the TARS list based on multiple criteria including their performance, previous spending review findings, and alignment with Medium Term Development Plan priorities, with the identification process being collaborative but requiring final Cabinet approval.

Madam speaker, we have also made progress in reforms to the financial sector as part of our goal to improve financial inclusivity.

The draft Conduct of Financial Institutions (COFI) Bill creates a unified, comprehensive market conduct law that consolidates fragmented legislation to better protect financial customers and ensure fair treatment.

The Bill mandates financial sector transformation by requiring all licensed institutions to have transformation plans, empowering the FSCA to take regulatory action against non-compliant institutions, and establishing cooperation between the FSCA and Financial Sector Transformation Council to support Black Economic Empowerment objectives.

Lastly, I am happy to say that our endeavours, not just the National Treasury's but the Government's as a whole, to remove South Africa from the Financial Action Task Force grey list, are succeeding.



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We must however continue to strengthen our laws to fight illicit and corrupt financing.

A **General Laws Anti-Money Laundering and Combating Terrorism Financing Bill**, to further improve our ability to combat money laundering, terrorism financing and proliferation financing, is being finalised for another round of public comment, and tabling in Parliament in the third quarter of 2025

Similarly, the National Treasury has made substantial progress implementing the State Capture Commission recommendations through multiple concrete actions.

SARS investigations **have recovered R4.8 billion in unpaid taxes**, while professional bodies like SAICA have imposed consequence management including disbarment.

The Financial Intelligence Centre launched the 'Enablers Project' with law enforcement to trace state capture fund flows, and a ten-year ban was imposed on Bain & Co (currently under litigation).

Critically, a central register now tracks dismissed officials and those who have resigned during their disciplinary processes across all government spheres.

Procurement

Public Procurement is firmly bound by two Constitutional tenets.



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Firstly, that all government contracts must be awarded in accordance with a system that is fair, equitable, transparent, competitive and cost effective and that nothing prevents an organ of state from implementing a procurement policy providing for categories of preference in the allocation of contracts, such as the advancement of persons disadvantaged by unfair discrimination.

These principles are at the heart of the new Procurement Act, along with stringent measures combating fraud and corruption in the procurement processes.

The draft regulations will be ready for inter-government consultation at the end of August 2025 and promulgation during the 2025/26 financial year.

CONCLUSION

House Chair, the interventions that I have outlined are just some of the measures that will be undertaken in the first year of the execution of the department's 2025–2030 Strategic Plan.

They represent the department's efforts in achieving sustainable public finance, advocating coherent economic policy, ensuring sound financial controls and management of public finances and increased public infrastructure investment.



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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 and the Deputy President, Paul Mashatile for their continued leadership.

Let me also thank the Deputy Ministers of Finance, Dr David Masondo, and Mr Ashor Sarupen as well as my Cabinet colleagues for their ongoing guidance.

We look forward to the support of this Honourable House in delivering on our mission and mandate. I thank you.

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