



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

Private Bag XI15, Pretoria, 0001 | 40 Church Square, Pretoria, 0002 | Tel: +27 12 315 5111



@Treasury_RSA



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@treasuryrsa

www.treasury.gov.za

BUDGET VOTE 8 MINISTER OF FINANCE SPEAKER NOTES

1. INTRODUCTION

- Honourable Chairperson,
- Chairperson of Standing Committee of Finance, Honourable Dr Maswanganyi, and the committee members,
- Honourable Members,
- It is an honour to participate in this Mini-Plenary sitting on the Budget Vote debate of the National Treasury.

2. MACROECONOMIC OUTLOOK

- Honourable Members, we meet in a rapidly changing global macroeconomic environment, characterised by heightened geopolitical uncertainty and persistent global trade tensions.
- A key defining feature of the current environment is the ongoing conflict in the Middle East, which has contributed to:
 - Rising fuel prices;
 - Higher fertiliser costs; and
 - Increased shipping expenses.
- These developments are intensifying cost-of-living pressures across economies and compounding inflationary pressures, with inflation reaching a concerning 4 per cent. Honourable Members will recall that over the last three months, the National Treasury has



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made an intervention to ease the burden on consumers; by announcing a temporary reduction in the general fuel levy. This has cost the fiscus approximately R17.2bn.

- This is further disrupting an already fragile global economic environment shaped by trade wars and supply chain vulnerabilities.
- Despite these headwinds, the African continent has demonstrated notable resilience.
 - Sub-Saharan Africa is projected to grow by 4.3 per cent;
 - South Africa's economy is projected to grow by 1.8 per cent over the medium term.
- These projections reflect both continued recovery efforts across the continent and the structural constraints that continue to weigh on domestic economic performance.
- Against this backdrop, government is closely reviewing the fiscal and economic baseline assumptions underpinning the current framework.
- Necessary adjustments will be made during the Medium Term Budget Policy Statement (MTBPS) process to ensure that fiscal policy remains responsive to evolving global and domestic conditions.
- This is essential to maintaining macroeconomic stability and supporting sustainable growth.
- These developments have direct implications for the work of the National Treasury, particularly in relation to the management of public finances.

3. LEGISLATIVE REFORMS

- Chairperson on legislative reforms, government is undertaking a comprehensive review of the PFMA and MFMA: which is at an advanced stage following extensive stakeholder consultations.
- These reforms respond to recommendations arising from the Zondo Commission and broader governance challenges identified across the state.



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- The proposed Amendment Bills seek to:
 - Strengthen financial management, governance and enhance oversight;
 - improve transparency and accountability;
 - enhance enforcement mechanisms; and
 - address systemic weaknesses in public financial management and enhance consequence management.
- The proposed amendments to the Auditing Profession Act of 2005 are currently underway.
- Work on implementing the Public Procurement Act also continues. The regulations for the Act will be tabled before Parliament.
- The Conduct of Financial Institutions Bill remains a major reform under the Twin Peaks framework and will strengthen market conduct regulation, consumer protection and transformation within the financial sector.

4. PROVINCIAL AND MUNICIPAL FINANCIAL OVERSIGHT

Honourable Members, I now turn to the contentious issue of provincial and municipal financial oversight.

- Provincial debt owed to municipalities has exceeded R14 billion and continues placing strain on municipal sustainability and service delivery.
- National Treasury will continue strengthening oversight of provincial finances, infrastructure expenditure and conditional grant performance.
- Municipal unauthorised, irregular, fruitless and wasteful expenditure remains deeply concerning.



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- Consequently, National Treasury will continue invoking section 216(2) of the Constitution where municipalities fail to adopt funded budgets or continue violating financial management legislation, as outlined in the MFMA.
- Accountability and consequence management remain critical to restoring public confidence in local government.
- As you are aware, government has taken a decision not to increase taxes, but rather to rely on improving efficiencies and strengthening the quality of public spending.
- This approach must apply across the state, including public entities funded through the fiscus, and we will encourage provinces to follow suit.
- Municipalities have consistently raised concerns that where they owe organs of state, National Treasury deducts funds directly from municipal allocations. However, the same principle has not been consistently applied where national and provincial departments owe municipalities outstanding amounts.
- Consequently, National Treasury has taken a decision to deduct monies from national and provincial departments to settle outstanding debts owed to affected municipalities.
- Currently, provincial departments owe municipalities approximately R14.9 billion, while national departments owe municipalities approximately R8.2 billion.

5. LOCAL GOVERNMENT REFORM

- Local government reform remains an urgent priority as municipalities continue facing infrastructure, governance and financial sustainability challenges.
- National Treasury continues advancing reforms relating to:
 - the local government funding model;
 - metro trading services;



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- infrastructure delivery systems;
 - municipal financial sustainability; and
 - budget and grant reforms.
- The Infrastructure Fund and Infrastructure South Africa Programme Office will continue mobilising finance and technical expertise to strengthen infrastructure delivery and rehabilitation.
 - Government is also redesigning the local government fiscal framework to improve the alignment between expenditure responsibilities and revenue sources.
 - National Treasury has finalised policy positions to ring-fence municipal trading services and strengthen maintenance and infrastructure rehabilitation.
 - Government will strengthen collaboration with municipalities, secondary cities and the Department of Human Settlements to support integrated inner-city development, affordable accommodation, infrastructure rehabilitation and improved urban management.
 - This work will include support for intermediary cities and municipalities experiencing growing urbanisation and infrastructure pressures.

6. WATER INFRASTRUCTURE REFORMS

Honourable Members, on water infrastructure reforms, the problem is two-fold.

- Firstly, government continues spending significant resources responding to water leaks and system failures, rather than addressing the root cause of the crisis, namely ageing and dilapidated water infrastructure.
- Secondly, the current water funding landscape remains fragmented across multiple grants and funding instruments, limiting coordination, reducing efficiency, and weakening the long-term sustainability of infrastructure investment.



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- Consequently, government is shifting towards a more coordinated and performance-driven approach focused on infrastructure rehabilitation, maintenance, and long-term sustainability.

The aim is simple:

to move resources away from scattered, short-term line-items and into a coordinated, performance-driven instrument focused on:

- non-bulk infrastructure;
- revenue water reduction;
- metered billing and revenue recovery; and
- institutional strengthening.

The objective is to ensure that every rand invested measurably improves:

- water availability;
- water quality; and
- financial sustainability.

7. INFRASTRUCTURE INVESTMENT AND HEALTHCARE

- Infrastructure investment remains central to economic growth, job creation and improved public services.
- National Treasury will continue strengthening monitoring, reporting and accountability to ensure infrastructure spending delivers visible results.
- Over the medium term, R41 billion will support health infrastructure programmes.
- Honourable Chairperson, it is imperative that we proceed with the implementation of the National Health Insurance. Notwithstanding current challenges, government must continue investing in infrastructure readiness to support a functional and sustainable health system.



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- South Africa’s public health infrastructure continues to face significant challenges, including ageing and poorly maintained facilities that require repair, refurbishment, and in some instances, complete replacement.
- There is also a need to invest in new health facilities to address service delivery gaps arising from historical inequities and changing demographic pressures.
- As indicated in the Budget Speech, this includes investments in:
 - Dr George Mukhari Hospital;
 - Nelson Mandela Bay Hospital; and
 - Victoria Mxenge Hospital.

The deadline for the next Bid Window is 5 July 2026.

- Furthermore:
 - the Klipfontein and Belhar Hospitals in the Western Cape will replace and augment regional services currently provided by Tygerberg Hospital; and
 - the revitalisation of the Bambisana and Zithulele regional hospitals in the Eastern Cape.

Other key infrastructure projects include:

8. INNER CITY DEVELOPMENT

- Segregated spatial development brought about by apartheid continues to shape patterns of inequality, exclusion and limited access to economic opportunities.
- Inner-city development remains critical to reversing these historical spatial injustices by bringing people closer to places of work, economic activity and public services.



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- Government is therefore working closely with municipalities and the Department of Human Settlements to address inequalities arising from historical spatial planning and to support more integrated and inclusive urban development.
- In this regard, I would like to commend Mayor Xhakaza of Ekurhuleni for the development projects currently being implemented, and we hope that other municipalities will follow suit.

9. CONCLUSION

- The 2026/27 Annual Performance Plan reflects government's continued commitment to prudent fiscal management, accountable governance and responsible stewardship of public finances.
- Transparency, accountability and ethical governance remain essential to building a capable and developmental state.
- Lastly, Honourable Members, the National Treasury remains committed to supporting sustainable economic growth, strengthening institutional capability and improving the lives of all South Africans.