2024 MTBPS

MEDIUM TERM BUDGET POLICY STATEMENT

MTBPS

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Medium Term
Budget Policy Statement
2024

National Treasury

Republic of South Africa

30 October 2024

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FOREWORD

Government is committed to a pro-growth agenda that is founded on unity and cooperation to address prolonged economic and fiscal weakness.

This *Medium Term Budget Policy Statement* (MTBPS) is tabled as the economy is beginning to reflect the combined effects of a more stable global environment, structural reforms, uninterrupted electricity supply and cautious confidence in the new government of national unity. The mature, forward-looking manner in which we formed the government showed the true character of our still-young nation, the effectiveness of our Constitution and the durability of our institutions. It was a living example of the passage on our coat of arms: *!ke e: /xarra //ke,* as it reads in the /Xam language, meaning "diverse people unite".

South Africa will need to rely on this strength of character to implement reforms that change the long-term trajectory of our economy to build prosperity and sharply reduce poverty and inequality.

It would be imprudent to lightly dismiss the depth of our economic and fiscal problems. Longstanding structural constraints have impeded growth and capital investment. Carrying out the necessary reforms is difficult and will take time. But momentum is beginning to build, as shown by the initial successes of Operation Vulindlela. Crucially, improved energy supply supports a slightly improved growth outlook of 1.8 per cent over the next three years, up from 1.2 per cent over the previous three years.

The economic policy path outlined in this MTBPS aims to take full advantage of a slightly more supportive global and domestic economic environment by investing in infrastructure, human capital and the institutions that drive service delivery and economic growth. Over the medium term, government will focus on maintaining macroeconomic stability, implementing structural reforms, building state capability and supporting growth-enhancing public infrastructure investment.

Government is making steady progress on the balanced fiscal strategy first outlined in the 2023 MTBPS. The 2025 medium-term expenditure framework stabilises debt by 2025/26 at 75.5 per cent of GDP and promotes sustained growth through higher capital spending. It also allocates nearly 60 per cent of the budget to the social wage over the medium term.

The MTBPS is the outcome of collaborative efforts and, it must be said, vigorous debates across government. I would like to thank all those involved – from the President to my colleagues in Cabinet, the Ministers' Committee on the Budget and our two Deputy Ministers of Finance for their thoughtful contributions, which have helped shape this MTBPS. And I extend my heartfelt appreciation to the Director-General and staff of the National Treasury for their unstinting dedication to sustainable, transparent and accountable public finances.

Enoch Godongwana
Minister of Finance

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2024 MTBPS

BUILDING MOMENTUM FOR INCLUSIVE GROWTH

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In brief

- Government is pursuing policies to achieve rapid, inclusive and sustainable economic growth.
- The economy is forecast to grow by an annual average of 1.8 per cent over the next three years, underscoring the need for continued implementation of structural reforms.
- The fiscal strategy remains on course. The consolidated budget deficit will narrow from 5 per cent of GDP in 2024/25 to 3.2 per cent of GDP in 2027/28 and debt will stabilise at 75.5 per cent of GDP in 2025/26.
- Economic reforms are beginning to bear fruit: electricity availability has improved, the logistics system is stabilising and the cost of doing business is declining in some areas of the economy.
- Stronger infrastructure investment will underpin the growth agenda.

INTRODUCTION

The 2024 *Medium Term Budget Policy Statement* (MTBPS) sets out a pro-growth agenda to address South Africa's prolonged economic and fiscal weakness. Since the outbreak of the COVID-19 pandemic, government has been working to restore economic growth and the stability of the public finances. This commitment has been strengthened by a more supportive environment and an emphasis on the quality of reforms and delivery.

There is a solid foundation on which to build stronger growth and job creation. The 2024 elections and subsequent formation of a government of national unity, forged in the spirit of unity and cooperation, reflect the effectiveness of the country's Constitution and institutions. The domestic financial market remains strong and macroeconomic policy has achieved important milestones, such as a reduction in inflation during 2024 and a primary budget surplus – meaning revenue exceeds non-interest spending – in the 2023/24 financial year. These gains will be aided by reforms to unlock infrastructure investment and fiscal prudence.

Over the next year, South Africa will use its Presidency of the Group of 20 (G20) to promote an Africa-focused global agenda, which includes encouraging stronger regional trade, reforming multilateral institutions to increase the influence of Sub-Saharan African countries, and attracting more foreign investment into the country and the region.

THE PATH TO STRONGER GROWTH

The economy is forecast to grow by 1.1 per cent in 2024, after expanding by just 0.4 per cent in the first half of 2024, and is projected to grow by an annual average of 1.8 per cent over the next three years. This subdued performance underscores the need for stronger policy measures to accelerate growth, tackle poverty and unemployment and – because economic growth is the source of sustainable government revenues – ensure long-term fiscal stability.

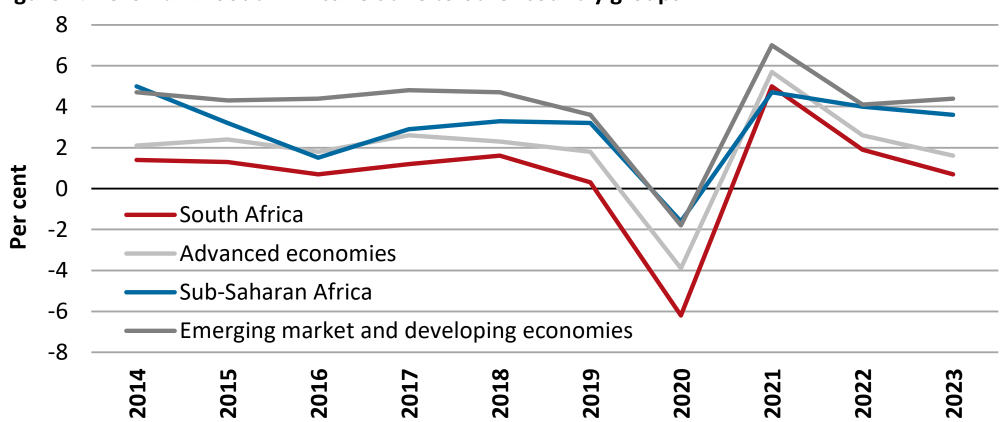
Table 1.1 Macroeconomic projections

	2023	2024	2025	2026	2027
Calendar year	**Actual**	**Estimate**	**Forecast**		
Percentage change unless otherwise indicated					
Household consumption	0.7	1.2	1.8	1.7	1.9
Gross fixed-capital formation	3.9	-2.5	4.7	4.2	3.8
Real GDP growth	**0.7**	**1.1**	**1.7**	**1.7**	**1.9**
GDP at current prices (R billion)	**7 024.0**	**7 396.7**	**7 897.6**	**8 404.1**	**8 953.6**
CPI inflation	5.9	4.6	4.4	4.5	4.5
Current account balance (% of GDP)	-1.6	-1.8	-2.1	-2.2	-2.5

Across all tables in the Medium Term Budget Policy Statement, the use of "0" refers to a value of small magnitude that is rounded up or down to zero. If a value is exactly zero, it will be denoted by "–". If data is not available, it is denoted by "N/A"
Source: Reserve Bank and National Treasury

For over a decade, South Africa has significantly underperformed compared with other emerging market and developing countries. The reasons for this divergence include declining capital investment, inadequate energy supply, unreliable logistics, the high cost of doing business, a poor public-sector balance sheet and a weak fiscal position.

Figure 1.1 Growth in South Africa relative to other country groups



Source: Statistics South Africa and IMF World Economic Outlook, October 2024

As a result of government's focus on the constraints impeding growth and stability, the investment climate is showing signs of improvement. As outlined in Chapter 2, reforms are gaining momentum. Electricity availability has improved significantly in 2024, with more than 200 days without large-scale power cuts as of 22 October 2024. A Water Partnerships Office has been established to consolidate the ownership of core infrastructure and establish partnerships with the private sector to invest in the construction and refurbishment of large strategic water projects. It is becoming easier to do business, with the time required by large businesses and farms to obtain a water licence reduced from 300 days to 90 days and the cost of mobile data bundles reduced by up to 51 per cent between 2021 and 2023. The eVisa system is now available to travellers from 34 countries, making it possible to obtain work and holiday visas entirely online, which helps to attract skills and promote tourism.

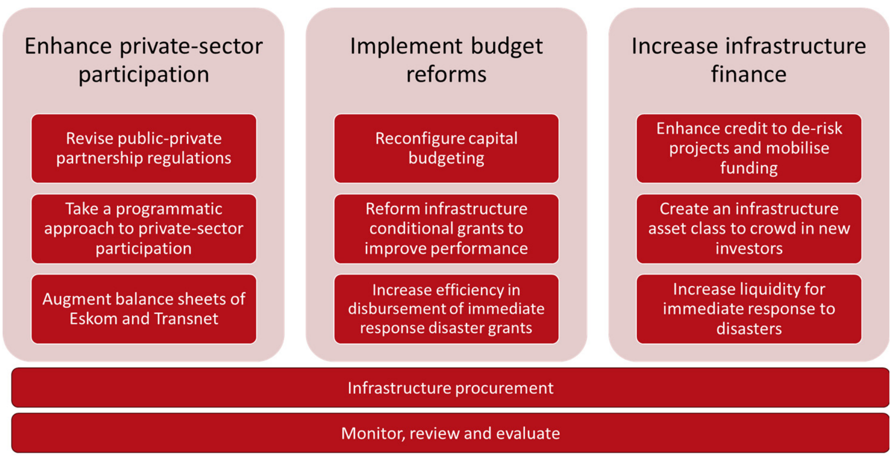
Over the medium term, critical reforms will include strengthening local government, harnessing digital public infrastructure and integrating urban environments to make cities more efficient. A series of reforms is designed to accelerate infrastructure investment.

INFRASTRUCTURE INVESTMENT TO SUPPORT GROWTH

Investment in infrastructure is necessary to support higher levels of growth and expanded access to quality basic services. Yet the quality of public-sector infrastructure spending is suboptimal and the quantity is inadequate. As a result, existing infrastructure is deteriorating, backlogs are growing and the cost of providing infrastructure is high. This represents both a challenge and an opportunity.

The delivery of infrastructure projects is often hampered by a lack of coordination within the public sector, poor cooperation with the private sector and high borrowing costs. To address these problems, government is transforming the way it prepares and delivers infrastructure projects. It is mobilising private-sector resources that will augment public-sector capability and provide new channels for financing. In parallel, work is under way to improve government's capital budgeting process and strengthen institutional arrangements and governance across the ecosystem to facilitate private investment. Chapter 5 outlines the infrastructure reform agenda, which is summarised in Figure 1.2.

Figure 1.2 Improving the management and regulation of infrastructure



FISCAL STABILITY FOR GROWTH AND SERVICE DELIVERY

Budgeting always involves difficult choices, particularly in the context of limited resources. In the short term, government can choose between increasing taxes, cutting spending or continuing to spend without increasing the tax burden. Higher taxes reduce the amount that households and businesses have for their current needs and their ability to build up savings. Spending cuts, if not well targeted, can reduce the quality and quantity of critical public services. Spending that is not matched by increased revenues leads to further increases in debt, resulting in higher interest costs that can crowd out service delivery and increase the cost of doing business.

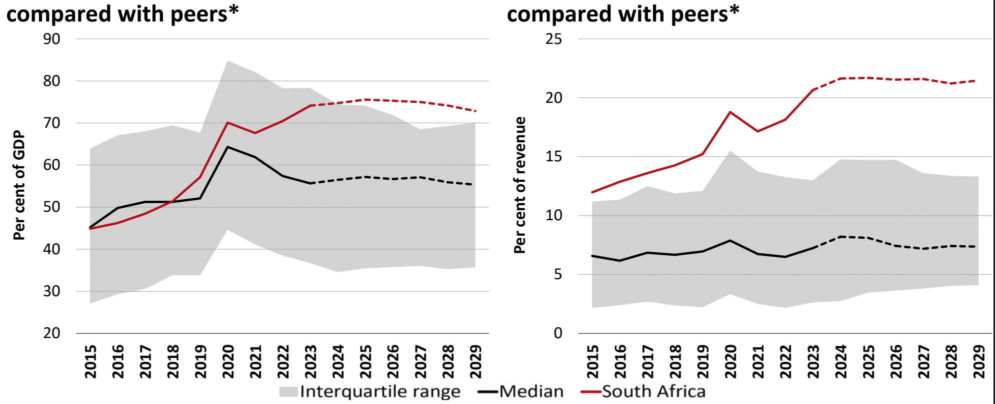
In light of these trade-offs, government's fiscal strategy aims to balance spending and tax choices while promoting measures that grow the economy. This approach improves the fiscal position and, over the longer term, makes more resources available for social and economic programmes.

Nevertheless, policy reforms are needed to continue rebuilding the public finances and prevent the reoccurrence of an onerous debt burden. The period after the 2008 global financial crisis was characterised by poor economic growth, unaffordable bailouts of state-owned companies, and expanding public debt and deficits. Government increased public spending, and therefore the fiscal deficit, to counter the effects of falling growth and employment. Yet economic growth did not recover, and the adopted spending ceiling was insufficient to prevent an unsustainable increase in the annual deficit.

Between 2008/09 and 2023/24, government debt grew from R627 billion or 23.6 per cent of GDP to R5.26 trillion or 74.1 per cent of GDP, resulting in debt-service costs that now consume 21.6 per cent of revenue. At the same time, economic growth failed to recover to pre-crisis levels, despite an average increase of 8 per cent in consolidated government spending and a steep increase in borrowing. As a percentage of GDP, public debt reached a level that is 18.5 percentage points higher than the median for emerging market economies in 2023.

Figure 1.3 South Africa's debt trajectory compared with peers*

Figure 1.4 South Africa's debt-service costs compared with peers*



**Consists of 94 emerging market economies*
Source: National Treasury and IMF World Economic Outlook, October 2024

The 2024 Budget announced that a debt-stabilising primary budget surplus would anchor fiscal policy over the next three years. Furthermore, technical work and consultation are under way on proposals to ensure that budgets are compiled in such a way that public debt remains sustainable over time. Adopting such an approach would enable government to reduce the likelihood and severity of spending cuts and tax increases to rein in debt.

Table 1.2 Consolidated government fiscal framework

	2023/24	2024/25	2025/26	2026/27	2027/28
R billion/percentage of GDP	Outcome	Revised	Medium-term estimates		
Revenue	**1 941.4**	**2 021.5**	**2 166.6**	**2 314.3**	**2 471.8**
	27.4%	*26.9%*	*27.0%*	*27.1%*	*27.2%*
Expenditure	**2 258.8**	**2 395.0**	**2 510.3**	**2 624.4**	**2 767.1**
	31.8%	*31.8%*	*31.3%*	*30.8%*	*30.4%*
Budget balance	**-317.5**	**-373.5**	**-343.7**	**-310.1**	**-295.3**
	-4.5%	*-5.0%*	*-4.3%*	*-3.6%*	*-3.2%*
Total gross loan debt	**5 259.4**	**5 622.5**	**6 054.7**	**6 424.4**	**6 817.5**
	74.1%	*74.7%*	*75.5%*	*75.3%*	*75.0%*

Source: National Treasury

OTHER PUBLIC POLICY REFORMS

Reforms to the medium-term budgeting process

South Africa's budget process is recognised globally for its institutional strengths and transparency. After 25 years, however, several aspects require renewal. The National Treasury has initiated a comprehensive review of the medium-term budgeting process to bring it in line with current economic realities and ensure it remains fit for purpose. Reforms are being developed to evaluate and strengthen budget structures, enhance coordination and decision-making, manage unanticipated expenditures and improve the use of performance data and technology. The proposed reforms arising from this review will be implemented in 2025/26.

Reducing the cost of public-sector compensation

Improving the structure and organisation of the state is a key policy objective. South Africa's average spending on public-sector salaries is well above that of many countries (Figure 1.5). Cabinet has approved an early retirement programme to reduce government employment costs while retaining critical skills and promoting the entry of younger talent into the public service. Accounting officers and executive authorities will have the authority to approve early retirement applications that do not reduce the pool of highly skilled individuals within government agencies.

Figure 1.5 General government wage bill, 2022

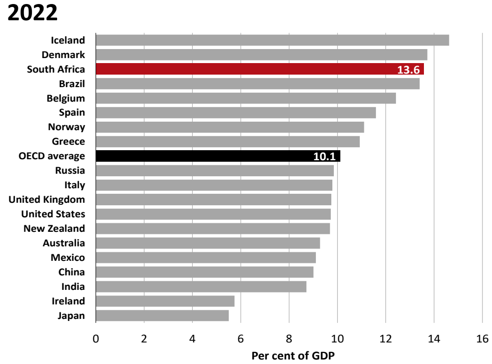
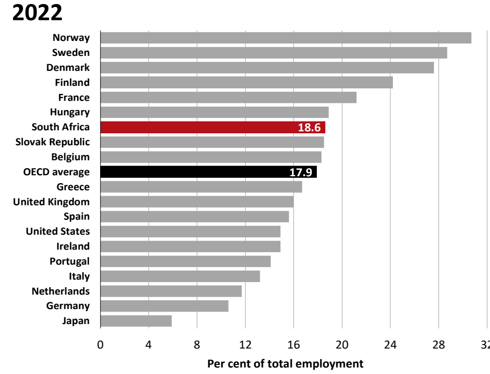


Figure 1.6 General government employment, 2022



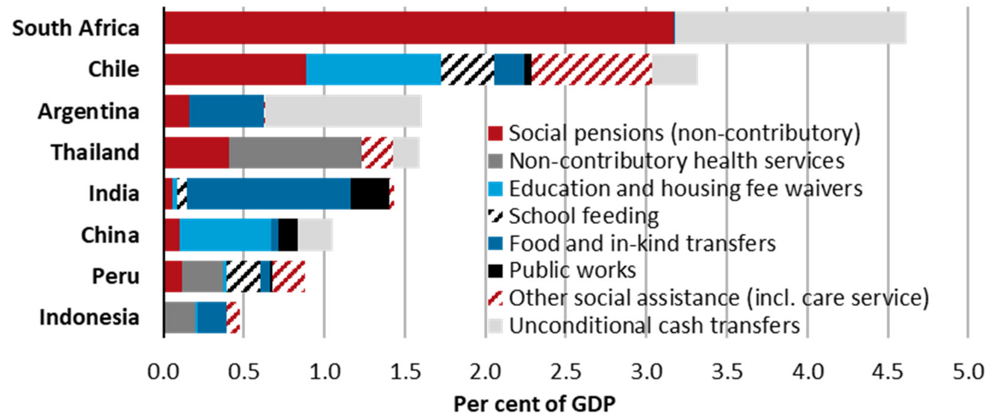
Source: OECD Data Library

Social protection and employment-related support

South Africa's comprehensive social security system is among the largest within emerging markets. Between 2015 and 2020, spending on social protection averaged 4.6 per cent of GDP compared with 1.6 per cent for developing-country peers (Figure 1.7). Over the next three years, 30.6 per cent of the population will receive some form of social grant, excluding the *COVID-19 social relief of distress grant*. Government will also spend R3.4 billion on job creation initiatives in 2024/25.

Following the outbreak of COVID-19 in 2020, government introduced the *COVID-19 social relief of distress grant* for six months to support workers displaced by pandemic lockdowns. This temporary grant has been extended several times. A sustainable fiscal approach requires that any permanent addition to spending must be funded through permanent revenue sources or reprioritisation from within the existing fiscal envelope.

Figure 1.7 Social assistance spending*



**Estimates are sourced from the World Bank and therefore not directly comparable to the National Treasury's figures. Calculated using data for the most recent available years between 2015 and 2020*
Source: National Treasury

A wide range of financial support is provided to unemployed persons. However, these interventions are split across agencies and do not function as a cohesive, integrated system. Moreover, there is little to no linkage between the social security system and the policy goal of increasing employment. Government is considering ways to reform the grant system and consolidate public employment initiatives. This includes a review of the impact of the skills development funding system, where the levy collected averaged R20.9 billion over the past three years. Proposals will be presented in the 2025 Budget.

South Africa's G20 Presidency: Advancing an agenda for developing countries

South Africa will hold the Presidency of the G20 from 1 December 2024 to 30 November 2025. Government will use this platform to focus global attention on challenges facing developing countries, particularly in Africa.

Various working groups, comprised of technical experts from South Africa and other member countries, will produce policy proposals, guidelines, frameworks and tools on a variety of issues. Examples of key topics already selected include accelerating human capital development in the context of artificial intelligence, migration, technology, education and skills gaps; strengthening multilateral development banks to support the development of poorer countries; and financing climate-resilient infrastructure. These and other priorities will anchor South Africa's contribution to the global policy agenda.

CONCLUSION

Government's pro-growth agenda aims to create jobs, reduce inequality and improve the fiscal position. The path to higher growth requires an increase in energy production; more reliable transport, logistics and water supply; and stronger investment. In this regard, reforms will promote partnerships between the public and private sectors, lower the cost of doing business and introduce an infrastructure delivery model that will improve implementation and create jobs.

2

2024 MTBPS

ECONOMIC OUTLOOK

national treasury

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REPUBLIC OF SOUTH AFRICA

ECONOMIC OUTLOOK

In brief

- The economy is projected to grow by 1.1 per cent in 2024, down from the 2024 *Budget Review* forecast of 1.3 per cent. However, the prospects for the economy are improving, with better energy supply supporting a marginal upward revision to medium-term growth.
- While global growth is predicted to stabilise around 3.2 per cent in the near term, significant risks remain, including flaring geopolitical tensions and narrower scope for additional interest rate cuts. Risks to the domestic outlook, however, are more balanced than at the time of the 2024 *Budget Review*.
- While there is cause for some cautious optimism on the medium-term growth outlook, low potential growth and stagnant per capita incomes and employment underscore the importance of maintaining macroeconomic stability, implementing reforms, boosting state capability and accelerating infrastructure investment.

INTRODUCTION

South Africa's economy is beginning to reflect the combined effects of a more stable global environment, structural reforms, uninterrupted electricity supply and cautious confidence in the new government of national unity. Although the 2024 growth forecast has been revised down, medium-term prospects have improved somewhat. GDP growth is projected to average 1.8 per cent from 2025 to 2027. A tentative return to confidence is evident in a rebound in financial markets, a stronger rand and comparatively lower sovereign borrowing costs.

However, this comes in the wake of more than a decade of economic underperformance, during which the economy has been weighed down by a range of structural constraints. The depth of these challenges, including weak state capacity, underscores the need to speed up reforms to make the economy more productive and competitive, accelerate inclusive economic growth and foster much-needed job creation.

Over the medium term, government's growth strategy will be anchored by the following pillars:

Maintaining macroeconomic stability. A stable, transparent and predictable macroeconomic framework remains fundamental for better growth outcomes. Greater certainty and less volatility – including through low and stable inflation and sustainable fiscal policy – create a conducive environment for businesses and households to save, spend, invest and grow, contributing to a sustainably higher economic growth path.

Implementing structural reforms. South Africa now has initial evidence of the tangible outcomes of reforms that reduce economic bottlenecks. This is best exemplified in the energy sector, supported by the first phase of Operation Vulindlela, which unlocked R390 billion worth of investment. The second phase of Operation Vulindlela will build on previous efforts.

Building state capability. A capable state that delivers a reasonable and reliable standard of public services will foster the necessary environment for more growth and jobs. Service delivery will be made simpler, more accessible and more effective through digital transformation and careful management of the public-service wage bill.

Supporting growth-enhancing public infrastructure investment. Investment in infrastructure will boost economic activity and enable higher growth over the medium term. Reforms outlined in greater detail in Chapter 5 will improve private-sector participation, infrastructure financing and investment pipelines, while supporting climate resilience.

Figure 2.1 Emerging market currencies vs US dollar*

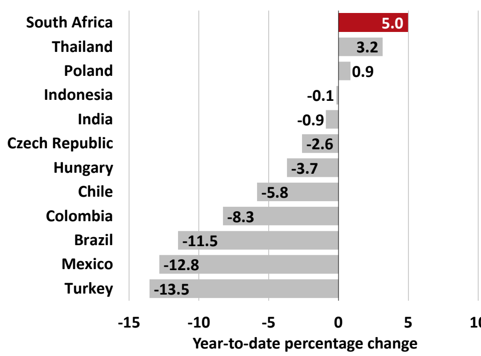


Figure 2.2 Bond yield curve

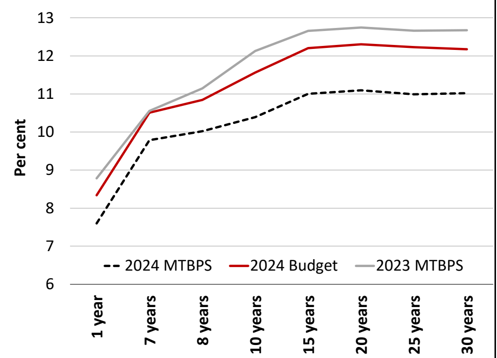
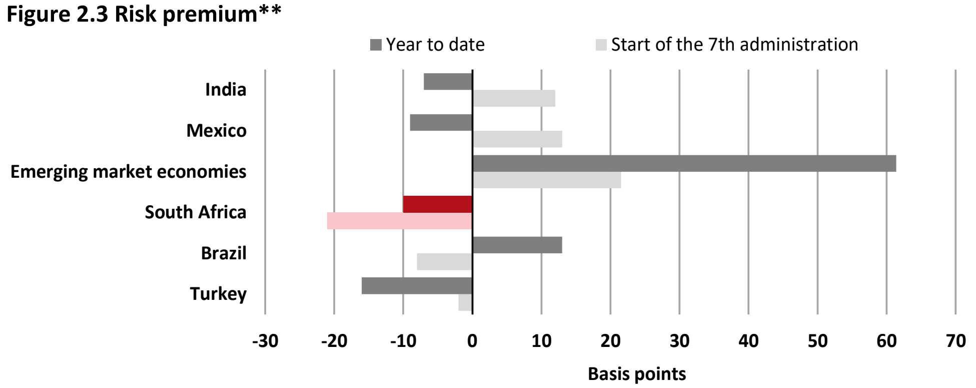


Figure 2.3 Risk premium**



**Positive changes indicate an appreciation of the currency; negative values a depreciation.*

***Year to date refers to data as reported up to 30 August 2024, while the beginning of the 7th administration (government of national unity) is marked from 19 June to 30 August 2024*

Source: Bloomberg

OPERATION VULINDLELA CONTINUES TO SUPPORT GROWTH

South Africa's economic growth prospects are closely tied to the success of structural reforms, including those led by Operation Vulindlela, to improve competitiveness and productivity and boost investment. In its first phase, this initiative implemented 35 reform actions in five network industries, including reducing power cuts, improving the performance of the logistics system, lowering data costs, improving water supply and enabling the country to attract critical skills. The next phase of reforms will support higher medium-term growth, which is required to significantly expand employment. New initiatives aim to reverse local government decline, tackle spatial inequality and advance digital government to improve large-scale service delivery.

Priority will be given to continued restructuring of Eskom and to establishing a competitive energy market with adequate supply for a growing economy. The cumulative effects of reforms include improved power station performance and no "load-shedding" since 26 March 2024. The Electricity Regulation Amendment Bill was signed into law in August of this year. This, together with the creation of the National Transmission Company of South Africa, which began operating on 1 July 2024, is establishing rules and procedures for a competitive electricity market. The ongoing Energy Action Plan has boosted efforts to restore energy availability and procure new generation. By end-August 2024, project registrations with South Africa's energy regulator exceeded 8 500 megawatts.

Transport reforms that open the freight rail network to private operators will reduce inefficiencies and costs, helping firms offer lower prices and boosting economic growth. To this end, the Economic Regulation of Transport Bill – enabling private-sector use of the rail network – was signed into law in June 2024. Transnet freight volumes grew from 149.5 million tonnes at the end of the previous financial year to approximately 151.7 million tonnes by end-March 2024, supported by the implementation of a recovery plan from October 2023 and reversing a years-long decline (Figure 2.4). Port cargo handled has stabilised relative to 2023 levels (Figure 2.5).

Figure 2.4 Freight transportation rail payload*

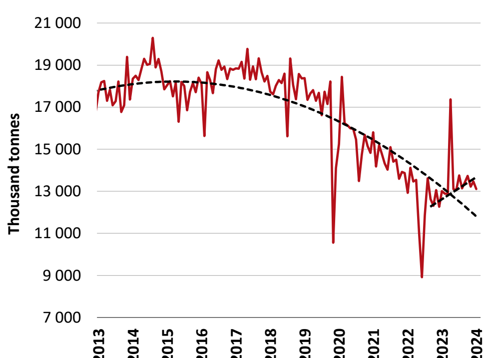
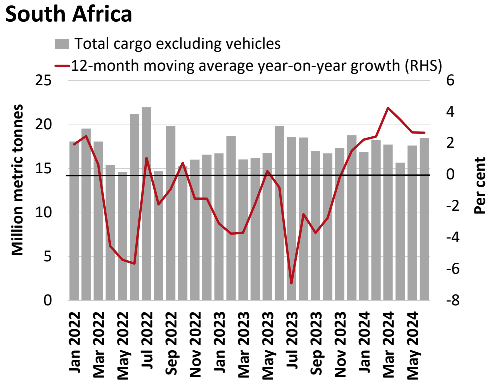


Figure 2.5 Total cargo handled at the ports of South Africa



**Seasonally adjusted*

Source: Statistics South Africa, GAIN Group and Transnet National Ports Authority

The Department of Home Affairs has reformed the visa system to attract skills and boost tourism, including implementing an eVisa system for 34 countries, a trusted employer scheme and revised immigration regulations from May 2024. The rollout of 5G infrastructure is lowering data costs, expanding connectivity and improving access to network services.

Water management reforms tackle supply and infrastructure issues. The National Water Resources Infrastructure Agency Bill, signed on 27 August 2024, creates an independent agency to oversee bulk water resources. The Water Services Amendment Bill, allowing for intervention in failing municipalities, has received public comment and will soon be submitted to Cabinet for approval.

Critical reforms needed to support water security and economic growth

Water is vital for society and is a critical enabler of economic activity. However, poor water management, reflected in R19 billion in municipal debt to water boards, and ageing infrastructure threaten the economy. The Department of Water and Sanitation's 2023 Green Drop report shows that 34 per cent of water supply systems and 10 per cent of wastewater systems are at high or critical risk, with critical water quality risks tripling over the past decade. Concerningly, South Africa's per capita water consumption of 218 litres per day exceeds the global average of 173 litres.

Water sector reforms being prioritised by Operation Vulindlela include independent regulation, strengthening local water services by licensing water service providers, legal proceedings on non-compliance by municipalities and trading services reforms. Trading services reforms refer to governance, institutional, management and financial reforms to improve essential services, enabled by a new performance-based grant. The National Treasury is also working closely with the Water Partnerships Office to identify opportunities for private-sector participation, such as non-revenue water projects. Non-revenue water refers to the revenue lost from leaking water infrastructure.

Figure 2.6 National non-revenue water and water loss trends*

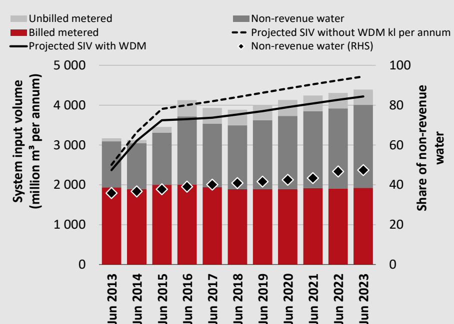
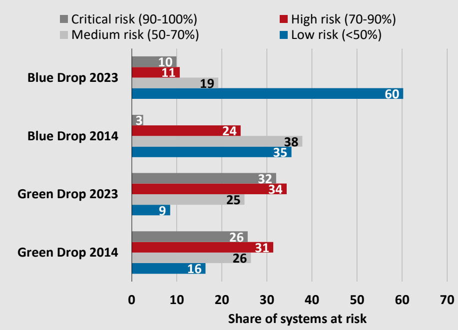


Figure 2.7 Risk levels in water quality (Blue Drop) and wastewater systems (Green Drop): 2014 vs 2023



**SIV refers to system input volume while WDM refers to water demand management*

Source: Department of Water and Sanitation

GLOBAL OUTLOOK

The International Monetary Fund projects that global growth will moderate from 3.3 per cent in 2023 to 3.2 per cent in 2024 and 2025. Slowing inflation has opened the way for major central banks to ease monetary policy. Lower interest rates and strong investment in technology, particularly in emerging Asia, are expected to support growth. Yet overall risks are to the downside. Fiscal policy has begun to contract in some countries, in part to manage the rapid increase in sovereign debt levels since the COVID-19 pandemic, and some countries are in debt distress. Persistent geopolitical tensions continue to flare, with potentially far-reaching effects on global trade, and the threat of escalating conflict in the Middle East remains a concern. The years-long downturn in China's property sector, notwithstanding new stimulus support, could continue to weaken Chinese growth.

Table 2.1 Economic growth in selected countries

Region/country	2022	2023	2024	2025
Percentage	Actual		Forecast	
World	**3.6**	**3.3**	**3.2**	**3.2**
Advanced economies	**2.9**	**1.7**	**1.8**	**1.8**
United States	2.5	2.9	2.8	2.2
Euro area	3.3	0.4	0.8	1.2
United Kingdom	4.8	0.3	1.1	1.5
Japan	1.2	1.7	0.3	1.1
Emerging and developing countries	**4.0**	**4.4**	**4.2**	**4.2**
Brazil	3.0	2.9	3.0	2.2
Russia	-1.2	3.6	3.6	1.3
India	7.0	8.2	7.0	6.5
China	3.0	5.2	4.8	4.5
Sub-Saharan Africa	**4.1**	**3.6**	**3.6**	**4.2**
Nigeria	3.3	2.9	2.9	3.2
South Africa[1]	1.9	0.7	1.1	1.7
World trade volumes	**5.7**	**0.8**	**3.1**	**3.4**

1. National Treasury forecasts
Source: IMF World Economic Outlook, October 2024

Global equity prices have risen as inflation decelerates, accompanied by interest rate cuts that are expected to continue into 2025. Further declines in bond yields are consequently anticipated, creating a favourable environment for emerging market assets. Declining production and shipping of commodities, particularly oil, has dampened the outlook for some emerging and developing economies, including in Sub-Saharan Africa. Oil prices are anticipated to fall slightly in 2024 given weak global demand, despite production cuts agreed by major producers. Global food prices are also projected to fall, supported by record-high grain production, reducing inflationary pressures.

DOMESTIC OUTLOOK

The National Treasury has lowered its 2024 economic growth forecast to 1.1 per cent, from the 1.3 per cent projected in the 2024 *Budget Review,* weighed down by stop-start economic growth and stubborn inflation in the first half of the year. The economy has since strengthened in response to the suspension of power cuts since March 2024, improved confidence following the formation of the government of national unity in June, better-than-expected inflation outcomes in recent months and reduced borrowing costs. All these factors are expected to continue supporting the economy over the period ahead.

GDP growth is projected to average 1.8 per cent from 2025 to 2027, up from 1.2 per cent in the preceding three years. The pace of growth is still being limited by persistent – though gradually easing – constraints, particularly in logistics infrastructure. Faster growth depends largely on maintaining macroeconomic stability, the continued implementation of structural economic reforms, improving state capabilities and supporting higher infrastructure investment.

Table 2.2 Macroeconomic performance and projections

Calendar year	2021	2022	2023	2024	2025	2026	2027
Percentage change	Actual			Estimate	Forecast		
Final household consumption	6.2	2.5	0.7	1.2	1.8	1.7	1.9
Final government consumption	0.6	0.6	1.9	1.4	0.9	-0.4	-0.1
Gross fixed-capital formation	-0.4	4.8	3.9	-2.5	4.7	4.2	3.8
Gross domestic expenditure	4.9	4.0	0.8	0.5	2.0	1.7	1.9
Exports	9.7	6.8	3.7	-1.6	3.1	3.1	3.1
Imports	9.6	15.0	3.9	-3.2	4.1	2.8	3.0
Real GDP growth	**5.0**	**1.9**	**0.7**	**1.1**	**1.7**	**1.7**	**1.9**
GDP inflation	6.3	5.2	4.8	4.2	5.0	4.6	4.5
GDP at current prices (R billion)	**6 220.2**	**6 655.5**	**7 024.0**	**7 396.7**	**7 897.6**	**8 404.1**	**8 953.6**
CPI inflation	4.6	6.9	5.9	4.6	4.4	4.5	4.5
Current account balance (% of GDP)	3.7	-0.5	-1.6	-1.8	-2.1	-2.2	-2.5

Source: National Treasury, Reserve Bank and Statistics South Africa

Employment

After averaging 32.4 per cent in 2023, the official (narrow) unemployment rate worsened to 33.2 per cent during the first half of the year. Structural reforms are needed to increase job creation significantly and sustainably; to confront the country's low employment intensity of growth; to address its comparatively low contribution of informal and self-employment; and to strengthen the effectiveness of government's suite of employment initiatives. Ongoing economic policy analysis conducted by the National Treasury will address these considerations in more detail.

Inflation

During 2024 headline inflation has cooled to its lowest rate in over three years, supported by lower food and transport prices. Underlying inflation – measured by the core inflation rate, which excludes volatile items such as food, non-alcoholic beverages, fuels and energy – has also moderated to two-year lows, supported by lower imported inflation. Headline inflation is projected to stabilise around the midpoint of the 3–6 per cent inflation target range in the medium term. Lower food prices, a stronger rand and comparatively low oil prices present favourable risks. Meanwhile, unfavourable risks to the outlook include higher administered prices and unfavourable weather conditions for agriculture.

Household consumption

Growth in household consumption expenditure is expected to improve to 1.2 per cent in 2024, up from 0.7 per cent in 2023. Households have seen growth in real incomes as this year has progressed and inflation has cooled, while consumer confidence has been buoyed by a number of factors, including stable electricity supply and expectations of improving financial conditions following a September cut in interest rates. Real purchasing power is expected to be bolstered by a further moderation in inflation and lower interest rates supporting household balance sheets. The newly implemented two-pot retirement system, which allows consumers to withdraw a portion of their savings before retirement, may also boost household consumption over the next few years depending on the eventual use of the withdrawn funds. To the downside, renewed price pressures from excessive increases in administered prices as well as fewer-than-expected domestic interest rate cuts could rein in consumption.

Investment

After having grown by 3.9 per cent in 2023, gross fixed-capital formation is forecast to contract by 2.5 per cent in 2024. Private-sector investment, which accounts for more than 70 per cent of the total, has been affected by elevated operating costs, particularly in logistics and energy. Public-sector investment has also declined amid underspending relative to capital expenditure budgets, with administrative and construction delays also leading to reductions and deferments in infrastructure spending in the first half of the year. Gross fixed-capital formation is expected to average 4.2 per cent over the medium term, supported by a gradual recovery in global growth, less restrictive global monetary policy, supportive commodity prices and investment in energy infrastructure through public procurement programmes and private embedded generation.

Balance of payments

The deficit on the current account is expected to widen from 1.6 per cent of GDP in 2023 to 1.8 per cent in 2024, with both imports and exports contracting. This is a favourable revision compared to the 2024 *Budget Review*, which forecast a current account deficit of 2.8 per cent of GDP for this year. The revision is driven by imports contracting faster than exports, widening the trade surplus, and better terms of trade than previously forecast. The current account deficit is forecast to widen to 2.5 per cent of GDP by 2027. Growth of imports is expected to exceed that of exports, reducing South Africa's trade surplus, premised on faster growth in gross domestic expenditure.

Table 2.3 Assumptions informing the macroeconomic forecast

Percentage change	2021	2022	2023	2024	2025	2026	2027
	Actual			Estimate	Forecast		
Global demand[1]	6.7	3.7	3.6	3.2	3.5	3.2	3.7
International commodity prices[2]							
Brent crude oil (US$ per barrel)	70.8	99.0	82.3	80.5	71.5	70.4	69.8
Gold (US$ per ounce)	1 799.8	1 801.5	1 943.1	2 344.5	2 561.4	2 646.9	2 712.8
Platinum (US$ per ounce)	1 090.8	960.9	966.6	955.4	987.3	1 021.6	1 057.2
Coal (US$ per ton)	125.2	271.1	120.6	104.8	111.7	114.1	114.1
Iron ore (US$ per ton)	158.2	120.7	120.3	109.5	98.5	92.6	87.5
Palladium (US$ per ounce)	2 398.2	2 107.4	1 339.5	972.6	990.8	1 033.5	1 082.7
Food inflation	**6.1**	**9.2**	**10.7**	**4.9**	**5.4**	**4.5**	**4.5**
Electricity inflation	**10.1**	**11.1**	**11.8**	**13.3**	**12.3**	**11.4**	**9.6**
Sovereign risk premium	**3.5**	**4.1**	**3.9**	**3.2**	**3.1**	**3.0**	**3.0**

1. Combined growth index of South Africa's top 15 trading partners (IMF World Economic Outlook, October 2024)
2. Bloomberg futures prices as at 27 September 2024
Source: National Treasury

Alternative scenarios

The National Treasury has modelled two alternative scenarios to the baseline economic forecast.

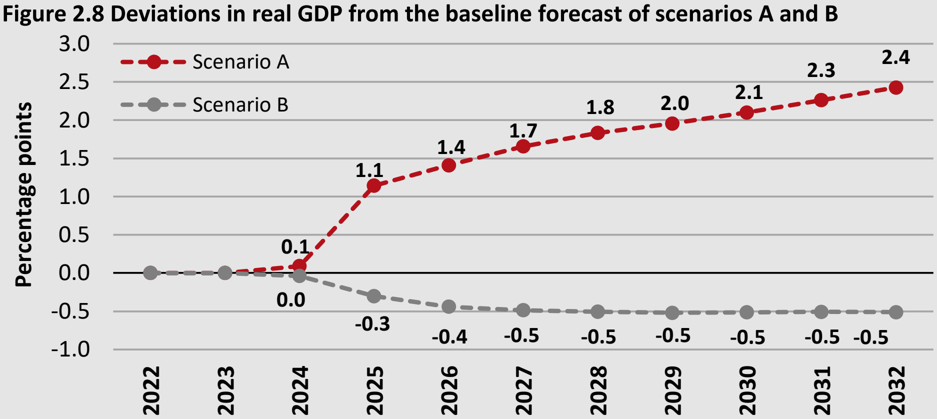
Scenario A

Scenario A incorporates additional capacity from energy investments, coupled with effective moves by the National Logistics Crisis Committee to resolve problems in ports and certain rail corridors. These reforms would enhance productive capacity, build confidence and reduce the sovereign risk premium. In Scenario A, real GDP is 2.4 percentage points above the baseline forecast by 2032 as supply-side constraints are alleviated, raising capital stock accumulation and yielding productivity improvements that support overall trade volumes.

Scenario B

Scenario B incorporates slower-than-projected global growth in 2025 and possibly into 2026. This reduces commodity demand and global trade, with significant knock-on effects for South African exports. Additionally, weaker growth heightens risk aversion towards emerging and developing economies as investors shift to safe-haven assets in advanced economies, reducing South African financial asset prices and weakening the rand. Real GDP underperforms in the near term, before levelling off 0.5 percentage points below the baseline forecast by 2032.

Figure 2.8 Deviations in real GDP from the baseline forecast of scenarios A and B



Source: National Treasury

Risks to the outlook

The balance of risks to global growth are weighted to the downside, while risks to the domestic outlook appear more balanced compared with the 2024 *Budget Review* assessment. Global growth may weaken due to financial market volatility, tightening conditions for developing economies, slower disinflation from rising commodity prices and a prolonged contraction in China’s property sector.

On the domestic front, food prices are vulnerable to weather-related shocks and logistical challenges. Positive domestic risks include the possibility of a quicker pace of disinflation and interest rate reductions than assumed in the baseline forecast, which would boost demand. Stable electricity supply and faster progress on reforms could boost business and consumer confidence. As outlined in Annexure A, fiscal risks remain significant, though somewhat more balanced than a year ago. The materialisation of major risks could threaten fiscal projections, with negative consequences for investment and economic growth.

SECTOR PERFORMANCE

Agriculture

Gross value added in the agriculture sector contracted by 10.1 per cent over the first six months of 2024 compared with the same period in 2023. This was due to the summer drought brought on by El Niño and animal disease outbreaks. Logistics and transport constraints offset improved electricity availability and lower production costs. Sector growth is expected to remain depressed during the second half of 2024 given contractions in grain production and a slow recovery in the livestock subsector. Agriculture is expected to rebound during 2025 with the return of La Niña, improved crop production, an uptick in animal production and growth in export opportunities.

Mining

Gross value added in the mining sector contracted by 0.1 per cent in the first half of 2024 compared with the same period in 2023. Production remains below pre-pandemic levels due largely to poor rail and port performance, and regulatory bottlenecks. Strikes, illegal mining and crime also strain the sector. These non-energy-related constraints offset gains from improved power supply.

Manufacturing

Gross value added in the manufacturing sector contracted by 0.7 per cent in the first six months of 2024 compared with the same period in 2023. Manufacturing production rebounded from a 1.2 per cent contraction in the first quarter to 0.5 per cent growth in the second quarter due to stable electricity supply. Although weak demand and competition from imports persist, consistent energy supply, lower borrowing costs and the prospect of faster reform implementation in key network industries are cause for cautious optimism in the sector.

Construction

The construction sector recorded a 7.8 per cent contraction for the first six months of 2024 compared with the same period in 2023 due to slowdowns in the residential, non-residential and construction works subsectors. The construction sector remains well below pre-pandemic levels and activity indicators remain subdued. Lower interest rates and improved sentiment should support an improved performance, but sustained growth is dependent on both private- and public-sector investment.

Utilities

The electricity, gas and water sector grew by 3.4 per cent in the first six months of 2024 compared with 2023. This reflects the improved performance of the Eskom generation fleet, owing to the continued repair and maintenance of key power stations. Ongoing energy reforms are critical for restructuring the sector to achieve long-term energy security and supply. Risks related to grid constraints and structural challenges within the distribution industry need to be addressed to ensure sound performance.

Transport and communication

The transport, storage and communication sector expanded by only 1 per cent in the first six months of 2024 compared with 2023 due to poor road and rail conditions, inefficient port operations and reduced demand. Rail improvements are possible but rely on sizeable investments over the medium term and continued restructuring. In telecommunications, the sector is expected to grow, supported by the continued 5G expansion and the proposed introduction of spectrum trading.

Finance and business services

The finance, real estate and business services sector grew by 2.9 per cent in the first six months of 2024 compared with the same period in 2023. Credit risk remains elevated, but banks are profitable in line with historical trends and capital adequacy remains above the minimum requirements. Over the remainder of 2024, the sector is set to expand. Upside risks include consecutive interest rate cuts, strengthening real income and lower borrowing costs.

CONCLUSION

Despite the downward revision to growth for the current year, there is cautious optimism for the medium-term outlook as the early benefits of reform implementation continue to materialise. The stabilisation of electricity supply has improved the overall investment climate. This positive momentum will be sustained by a new phase of Operation Vulindlela, which aims to accelerate structural reforms implementation. To support these efforts, it will be essential to maintain clear and stable macroeconomic policies while strengthening state capability and supporting investment in growth-enhancing public infrastructure.

3

2024 MTBPS
FISCAL POLICY

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Government's fiscal strategy is on track, with debt expected to peak at 75.5 per cent of GDP in 2025/26.
- In the context of limited resources, government will continue to prioritise the social wage for South Africa's most vulnerable.
- Despite the near-term slowing of revenue collection, medium-term revenues are projected to remain resilient, with the tax-to-GDP ratio averaging 24.7 per cent.
- Payments for capital assets will increase by an average of 10.6 per cent per year over the next three years, as infrastructure development is prioritised to support economic growth and job creation.
- The sovereign risk premium, and consequently the outlook for ease of borrowing, has improved marginally in the current financial year.

INTRODUCTION

The 2024 *Medium Term Budget Policy Statement* (MTBPS) outlines a path to stronger economic growth, supported by accelerated structural reforms and increased infrastructure investment. Government's fiscal strategy complements these objectives by supporting a stable and transparent macroeconomic environment. Despite significant fiscal risks, the balanced fiscal strategy first outlined in the 2023 MTBPS is registering progress. Higher economic growth, if sustained, will improve the fiscal position.

Over the past 15 years, public debt has accumulated, driven by a wide gap between spending and revenue. This led to increasing debt-service costs consuming resources that could have been used for priorities such as education, healthcare and infrastructure.

As outlined in Chapter 2, after a decade of weak economic performance, more positive signs are now emerging. The economy is beginning to benefit from structural reforms and stable electricity supply, and the formation of the government of national unity has boosted investor confidence. Fiscal outcomes have also improved. In 2023/24, government achieved its first main budget primary surplus in 15 years.

Despite slower-than-expected revenue growth, the state is on track to achieve primary surpluses in 2024/25 and over the medium term. Debt is expected to stabilise at 75.5 per cent of GDP next year. In turn, this will enable government to arrest the trend of mounting debt-service costs, which will peak as a proportion of revenue at 21.7 per cent in 2025/26 and decline thereafter.

Although there are significant external and domestic risks to the fiscal strategy, government is determined to maintain a prudent, disciplined approach to ensure sustainable public finances.

Figure 3.1 Main budget balance*

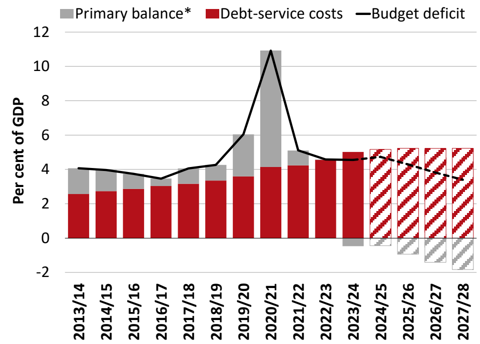


Figure 3.2 Total consolidated government expenditure, 2025/26 – 2027/28

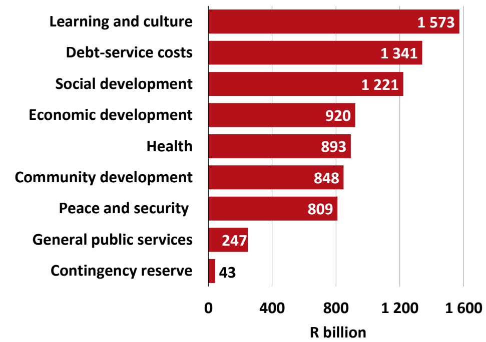


Figure 3.3 Gross debt-to-GDP outlook

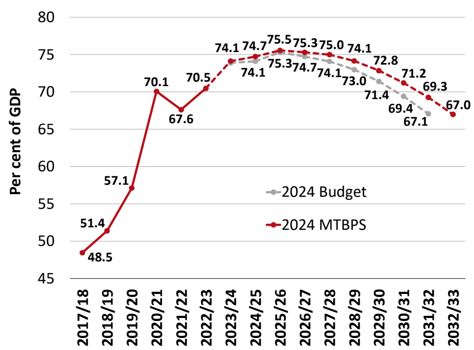
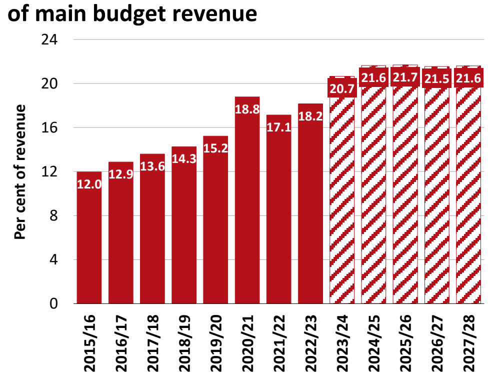


Figure 3.4 Debt-service costs as a share of main budget revenue



**A positive figure represents a deficit and a negative figure a surplus*
Source: National Treasury

MEDIUM-TERM FISCAL STRATEGY

Government's medium-term strategy remains focused on achieving fiscal sustainability, supporting economic growth and critical social services, and addressing significant fiscal and economic risks. The strategy prioritises:

- Stabilising government debt by maintaining sufficiently large primary surpluses over the rest of the decade. As announced in the 2024 Budget, a debt-stabilising primary surplus will continue to anchor fiscal policy over the next three years.
- Ensuring higher levels of capital investment by stabilising and reducing borrowing costs, directing a growing share of public spending towards capital projects and initiating wide-ranging infrastructure reforms, as outlined in Chapter 5.
- Protecting critical services in the context of limited budget resources. The social wage – which supports the most vulnerable through spending on health, education, social protection, community development and employment programmes – averages 59.9 per cent of consolidated non-interest spending over the medium term.
- Controlling growth in the public-service wage bill by ensuring that public servants are compensated fairly while implementing measures to contain overall costs.

- Limiting further financial support to state-owned companies, while completing the resolution of the debt obligations of Eskom and the South African National Roads Agency Limited (SANRAL), enabling them to make critical investments in electricity supply and road infrastructure respectively.
- Technical work on permanent measures to anchor fiscal policy and ensure debt sustainability continues, with updates to be presented in the 2025 Budget.

Figure 3.5 Growth in consolidated government expenditure components, 2024/25 – 2027/28

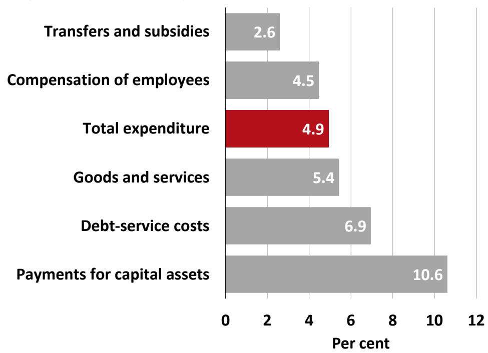
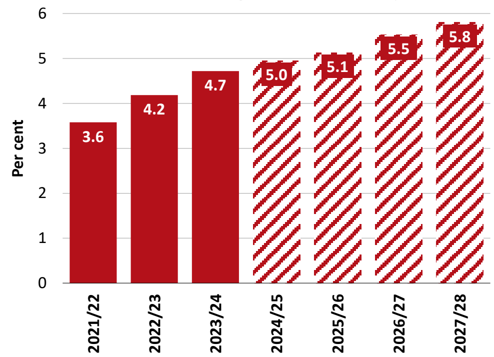


Figure 3.6 Payments for capital assets as a share of consolidated government expenditure



Source: National Treasury

Managing the public-service wage bill

Over the past decade, the wage bill has decreased as a share of consolidated spending, falling from 35.7 per cent in 2013/14 to 32.1 per cent in 2023/24. By 2027/28, the wage bill is projected to decrease to 31.4 per cent of consolidated spending. Annexure B provides detailed trends in compensation and wage rates. To further contain public-service wage costs, government is proposing to reactivate early retirement without penalties. To support this initiative, an additional R11 billion will be allocated over the next two fiscal years. Details will be set out in the 2025 Budget.

Negotiations for a wage agreement set to begin in 2025/26 are under way and expected to conclude by the time of the 2025 Budget. Government is committed to a fair and respectful collective bargaining and negotiation process in determining remuneration levels and conditions of service, while meeting its constitutional obligation to respect the budget process and deliver responsible and affordable fiscal policy.

A policy reform to improve fiscal policy outcomes

South Africa's fiscal position has deteriorated over time. Fiscal consolidation measures have limited, but not prevented, the widening of budget deficits and debt. More permanent measures are now under consideration. These include the following:

- A long-term debt sustainability framework has been developed. It will be used as a mechanism to strengthen transparency and responsibility in managing the public finances, and ensure that all spending and borrowing decisions are guided by a need to maintain sustainable finances over the long term.

- The National Treasury has brought in academics, international experts and other stakeholders to make inputs on fiscal anchor policy options. A discussion document will be released by end-March 2025.

- Proposals are under consideration for legislative changes to ensure that debt sustainability is embedded in the planning and budgeting processes of government.

IN-YEAR REVENUE AND EXPENDITURE OUTLOOK

In-year revenue projections

The in-year revenue outlook is weaker than expected as a result of declining fuel levy and import value-added tax (VAT) collections. Compared with the 2024 Budget, the gross tax revenue estimate for 2024/25 is revised down by R22.3 billion.

Table 3.1 Gross tax revenue

R billion	2023/24			2024/25		
	Budget[1]	Outcome	Deviation	Budget[1]	Revised	Deviation
Persons and individuals	649.8	648.9	-0.9	738.7	729.0	-9.7
Companies	301.4	313.1	11.7	302.7	314.4	11.7
Value-added tax	445.3	447.6	2.2	476.7	463.8	-13.0
Dividends tax	39.7	39.2	-0.5	36.1	39.5	3.4
Specific excise duties	53.9	53.5	-0.4	58.2	57.6	-0.6
Fuel levy	93.4	91.5	-1.9	95.8	82.4	-13.4
Customs duties	72.5	70.5	-1.9	76.8	73.9	-3.0
Ad valorem excise duties	7.8	7.3	-0.4	6.8	6.8	-0.0
Other	67.6	69.2	1.6	71.1	73.4	2.4
Gross tax revenue	**1 731.4**	**1 740.9**	**9.5**	**1 863.0**	**1 840.8**	**-22.3**

1. 2024 Budget
Source: National Treasury

Factors affecting in-year revenue collection to date include the following:

- Import VAT collections contracted by 4.5 per cent relative to the same period in 2023/24 as stabilising power supply led to lower imports of energy-related components. Customs duty collections grew moderately but are expected to fall short of 2024 Budget estimates in line with weaker import growth.

- Net fuel levy collections contracted by 3.9 per cent compared to the same period in 2023/24 as fuel demand fell sharply. Lower projected fuel levy collections are also affected by a large once-off diesel refund payment expected to be settled this year.

- Personal income tax collections are expected to underperform, with private-sector employment and wage rates weaker than projected in the 2024 Budget.

- Conversely, corporate tax and domestic VAT collections are expected to exceed 2024 Budget projections. The outlook for corporate profitability has improved amid easing supply-side constraints. Improved sentiment and reduced inflation and borrowing costs augur well for consumers' purchasing power.

The tax-to-GDP ratio is expected to remain at 24.5 per cent in 2024/25 (Figure 3.7). An increase in this ratio depends on higher and sustained economic growth. Additional information, including changes in tax buoyancies, appears in Table C.8 of Annexure C.

Main budget revenue estimates for 2024/25 have been lowered by R17.7 billion compared with the 2024 Budget, mainly owing to lower tax revenue projections. National Revenue Fund receipts have been revised up by R3.2 billion on the strength of revaluation profits from foreign-currency transactions and provincial conditional grant surrenders from 2023/24.

In-year spending adjustments

Relative to the 2024 Budget, main budget non-interest expenditure increases by a net R10.4 billion in 2024/25.

Table 3.2 Revisions to non-interest expenditure for 2024/25

R million	2024/25
Non-interest expenditure (2024 Budget Review)	**1 753 784**
Upward expenditure adjustments	**19 090**
Rollovers	2 051
SANRAL GFIP phase 1 debt repayment	5 021
National government portion	*1 215*
Provincial government portion [1]	*3 806*
SANDF troop deployment in DRC	2 100
Unforeseeable and unavoidable expenditure	2 133
Announced in the 2024 Budget	2 661
Other allocations in the AENE[2]	5 124
Downward expenditure adjustments	**-8 726**
Drawdown on contingency reserve	-5 000
Provisional allocations not assigned to votes	-570
Projected underspending	-2 914
Declared unspent funds	-242
Revised non-interest expenditure (2024 MTBPS)	**1 764 148**
Change in non-interest expenditure from 2024 Budget	10 364

1. Includes R546 million for maintenance backlog
2. 2024 Adjusted Estimates of National Expenditure
Source: National Treasury

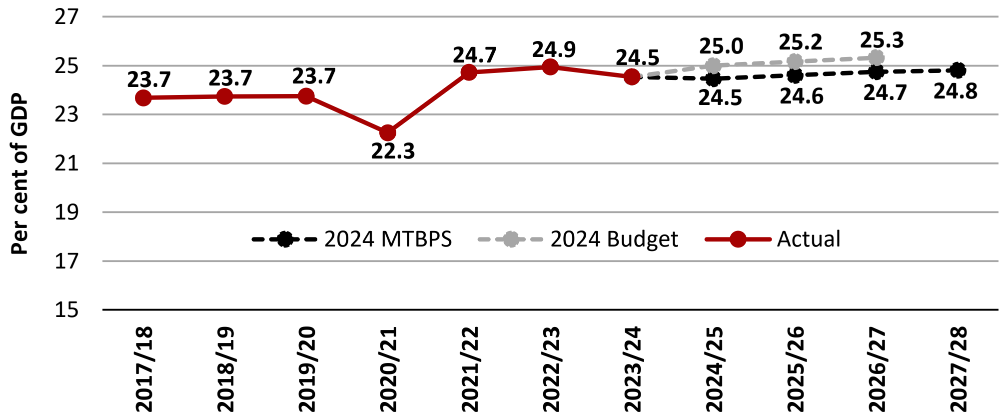
Higher expenditure reflects proposed spending additions for rollovers, the South African National Defence Force (SANDF) troop deployment in the Democratic Republic of the Congo, unforeseeable and unavoidable expenditure, the repayment of SANRAL debt relating to the Gauteng Freeway Improvement Project (GFIP) and spending announced in the 2024 Budget, which includes an increase in the *COVID-19 social relief of distress grant* from R350 to R370 per month. These increases are partially offset by declared unspent funds, projected underspending, contingency reserve drawdowns and provisional allocations not assigned to votes. Relative to the 2024 Budget, debt-service costs are revised up by R6.7 billion.

MEDIUM-TERM REVENUE AND EXPENDITURE OUTLOOK

Revenue

The tax-to-GDP ratio remains resilient and tax collections are expected to remain buoyant over the medium term. Tax revenues are projected to increase to R2.3 trillion, or 24.8 per cent of GDP, by 2027/28. Tax buoyancy increases to average 1.08 over the medium term, up from 0.95 in the current year.

Figure 3.7 Tax-to-GDP ratio



Source: National Treasury

However, compared with the estimates set out in the 2024 *Budget Review*, which reflected a high level of energy imports, gross revenue collection is projected to fall short by R41.4 billion in 2025/26 and 2026/27. Improved tax revenues will require more sustainable economic growth and further gains in tax compliance and tax administration.

Table 3.3 Revised gross tax revenue projections

R billion	2024/25	2025/26	2026/27	2027/28
2024 Budget	**1 863.0**	**1 991.2**	**2 133.0**	
Buoyancy	*1.33*	*1.11*	*1.11*	
Revised estimates	**1 840.8**	**1 971.8**	**2 111.1**	**2 255.2**
Buoyancy	*0.95*	*1.09*	*1.09*	*1.04*
Change since 2024 Budget	**-22.3**	**-19.4**	**-21.9**	

Source: National Treasury

Export commodity prices are set to increase moderately over the next three years following a contraction in 2023/24. Given an improved profitability outlook, expectations for corporate tax collections are revised upwards. However, slower renewable energy-related imports associated with stabilising power supply have weakened import growth, resulting in lower import VAT collections. Together with continued strong growth in VAT refund payments, net VAT collections are projected to fall short of 2024 Budget estimates. Under-collections in fuel levy receipts relative to 2024 Budget estimates flow through to the outer years.

Relative to the 2024 Budget, main budget revenue estimates for the next two years have been lowered by R31.2 billion, mainly driven by downward revisions to tax revenue projections. Payments to the Southern African Customs Union (SACU) are revised down. Details appear in Annexure C.

Table 3.4 Medium-term revenue framework

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
R billion	Outcome			Revised	Medium-term estimates		
Gross tax revenue	**1 563.8**	**1 686.7**	**1 740.9**	**1 840.8**	**1 971.8**	**2 111.1**	**2 255.2**
Gross tax revenue growth	25.1%	7.9%	3.2%	5.7%	7.1%	7.1%	6.8%
Nominal GDP growth	12.6%	6.9%	4.9%	6.1%	6.5%	6.5%	6.6%
Buoyancy	*1.99*	*1.14*	*0.66*	*0.95*	*1.09*	*1.09*	*1.04*
Non-tax revenue	40.4	51.0	43.9	36.0	34.0	33.2	33.4
Southern African Customs Union[1]	-46.0	-43.7	-79.8	-89.9	-73.5	-75.5	-86.4
National Revenue Fund receipts[2]	6.1	5.2	19.0	10.5	0.4	0.8	0.6
Main budget revenue	**1 564.3**	**1 699.2**	**1 724.0**	**1 797.4**	**1 932.6**	**2 069.6**	**2 202.8**

1. Amount made up of payments and other adjustments
2. Mainly revaluation profits on foreign-currency transactions and premiums on loan transactions
Source: National Treasury

Expenditure

Table C.2 in Annexure C presents changes to main budget non-interest expenditure since the 2024 Budget. Main budget non-interest expenditure will increase by a net R32.4 billion over the next two years compared with the 2024 Budget, including proposed increases of:

- R11 billion to implement early retirement measures over 2025/26 and 2026/27 to manage the public-service wage bill.
- R3.2 billion for the contribution from national government to the repayment of SANRAL GFIP debt in 2025/26.
- R10.1 billion for the provincial portion of SANRAL debt repayment relating to the GFIP and the maintenance backlog, which will be transferred to SANRAL. This amount will be paid to the National Revenue Fund by Gauteng Province.
- R3.5 billion for carry-through costs for the deployment of SANDF troops in the Democratic Republic of the Congo.

Compared with the 2024 Budget, the expenditure ceiling has increased by R16.8 billion per year in 2025/26 and 2026/27. Most of this increase is due to a repayment of SANRAL debt relating to the GFIP and early retirement costs. Additional information, including the calculation of the expenditure ceiling, appears in Tables C.3 and C.4 of Annexure C.

FISCAL FRAMEWORK

The MTBPS revises the 2024 Budget fiscal framework based on in-year revenue collections and monitoring, unforeseeable and unavoidable spending decisions related to 2024/25, proposed spending adjustments for the medium-term expenditure framework (MTEF) period and the updated macroeconomic, revenue, debt and debt-service costs forecasts.

Main budget framework

The main budget framework summarises spending financed from the National Revenue Fund. Main budget revenue as a proportion of GDP is expected to decrease from 24.3 per cent in 2023/24 to 23.9 per cent in 2024/25. This is a result of tax revenue growing slower than GDP, lower projected non-tax revenue and National Revenue Fund receipts, and higher SACU payments.

Main budget expenditure is expected to moderate from 28.6 per cent of GDP in 2024/25 to 27.6 per cent of GDP by 2027/28. This largely reflects fiscal consolidation measures implemented in recent years and slower growth projected in non-interest expenditure relative to GDP. Debt-service costs are projected to rise at a nominal annual average rate of 6.9 per cent over the MTEF period.

The main budget primary surplus is projected to increase over the medium term to ensure debt stabilisation in 2025/26. The budget deficit is projected to narrow from 4.7 per cent of GDP in 2024/25 to 3.4 per cent of GDP by 2027/28.

Table 3.5 Main budget framework

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
R billion/percentage of GDP	Outcome			Revised	Medium-term estimates		
Main budget revenue	**1 564.3**	**1 699.2**	**1 724.0**	**1 797.4**	**1 932.6**	**2 069.6**	**2 202.8**
	24.7%	*25.1%*	*24.3%*	*23.9%*	*24.1%*	*24.3%*	*24.2%*
Main budget expenditure	**1 887.3**	**2 009.2**	**2 046.9**	**2 153.0**	**2 276.4**	**2 394.7**	**2 511.8**
	29.8%	*29.7%*	*28.9%*	*28.6%*	*28.4%*	*28.1%*	*27.6%*
Non-interest expenditure[1]	1 619.2	1 700.7	1 690.8	1 764.1	1 857.3	1 949.0	2 036.1
	25.6%	*25.1%*	*23.8%*	*23.4%*	*23.2%*	*22.8%*	*22.4%*
Debt-service costs	268.1	308.5	356.1	388.9	419.1	445.7	475.7
	4.2%	*4.6%*	*5.0%*	*5.2%*	*5.2%*	*5.2%*	*5.2%*
Main budget balance	**-323.0**	**-309.9**	**-322.9**	**-355.6**	**-343.8**	**-325.2**	**-309.0**
	-5.1%	*-4.6%*	*-4.6%*	*-4.7%*	*-4.3%*	*-3.8%*	*-3.4%*
Primary balance	**-54.9**	**-1.5**	**33.2**	**33.2**	**75.3**	**120.6**	**166.7**
	-0.9%	*-0.0%*	*0.5%*	*0.4%*	*0.9%*	*1.4%*	*1.8%*

1. This includes contingency reserve
Source: National Treasury

Consolidated budget framework

The consolidated budget consists of the main budget and spending financed from revenues raised by provinces, social security funds and public entities. The consolidated budget deficit is projected to narrow from 5 per cent of GDP in 2024/25 to 3.2 per cent of GDP in 2027/28.

In 2025/26, public entities, social security funds and provinces are expected to have a small combined cash deficit, which adds to the main budget deficit. The combined cash surplus projected for these entities in 2026/27 and 2027/28 will help to reduce the overall budget deficit, supporting government's fiscal strategy.

Table 3.6 Consolidated budget balance

R billion	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Revised	Medium-term estimates		
Main budget	-323.0	-309.9	-322.9	-355.6	-343.8	-325.2	-309.0
Social security funds	-6.2	8.4	10.8	-6.8	16.0	24.5	25.8
Public entities	35.1	43.2	3.0	-6.1	-16.2	-13.5	-16.2
Provinces	2.1	13.4	-8.4	-5.1	-0.1	3.5	3.4
RDP Fund	-0.6	0.2	0.0	0.2	0.4	0.5	0.7
Consolidated budget balance	**-292.6**	**-244.7**	**-317.5**	**-373.5**	**-343.7**	**-310.1**	**-295.3**
Percentage of GDP	*-4.6%*	*-3.6%*	*-4.5%*	*-5.0%*	*-4.3%*	*-3.6%*	*-3.2%*

Source: National Treasury

FINANCING AND DEBT MANAGEMENT STRATEGY

Government's debt portfolio is structured to accommodate changes in the fiscal stance and minimise debt-service costs and refinancing risks. Debt management is informed by strategic portfolio risk benchmarks for interest, inflation, currency and refinancing. Government remains within all its portfolio risk benchmarks.

The funding environment has improved steadily in recent months. Following the formation of the government of national unity, demand has increased, aided by global interest rate reductions. The sovereign risk premium, which reflects investor concerns about economic and fiscal risks, has improved significantly between end-February and end-September 2024, from 327 basis points to 240 basis points. Over the same period, the generic 10-year bond yield declined by 153 basis points, indicating improved investor sentiment.

The budget deficit for 2024/25 increased by R34.7 billion compared with the 2024 Budget mainly due to weaker revenue performance. This increase was, however, offset by a decrease of R67.6 billion in redemptions due to the bond-switch programme for the bond maturing on 31 January 2025. Overall, the gross borrowing requirement for 2024/25 – the sum of the budget deficit, maturing loans, the Eskom debt-relief arrangement and the Gold and Foreign Exchange Contingency Reserve Account settlement – decreased by R32.9 billion to R424.7 billion. The higher cash balances accumulated this year will be used to partially finance the higher gross borrowing requirement in 2025/26.

Debt redemptions will increase from R173.7 billion in 2025/26 to R306 billion in 2027/28, averaging R211.5 billion over the medium term. To manage these redemptions, government will exchange some shorter-dated bonds for longer-dated bonds.

Over the medium term, the gross borrowing requirement will average R557.5 billion or 6.5 per cent of GDP. Domestic long-term borrowing is expected to increase to R330.7 billion in 2025/26 (excluding the R70 billion Eskom debt takeover in the same year) and decline to R320.4 billion in 2026/27 before increasing to R472.2 billion in 2027/28.

Table 3.7 National government gross borrowing requirement and financing

	2023/24	2024/25	2025/26	2026/27	2027/28
R billion	Outcome	Revised	Medium-term estimates		
Gross borrowing					
Main budget balance	**-322.9**	**-355.6**	**-343.8**	**-325.2**	**-309.0**
Redemptions	**-144.4**	**-105.0**	**-173.7**	**-154.8**	**-306.0**
Domestic long-term loans	-97.3	-64.3	-115.3	-115.3	-280.4
Foreign loans	-47.1	-40.6	-58.4	-39.5	-25.6
Eskom debt-relief arrangement	**-76.0**	**-64.2**	**-110.2**	**–**	**–**
GFECRA settlement (net)	**–**	**100.0**	**25.0**	**25.0**	**–**
Total	**-543.3**	**-424.7**	**-602.7**	**-455.0**	**-614.9**
Financing					
Domestic short-term loans (net)	88.7	33.0	45.0	36.0	53.0
Domestic long-term loans	336.2	305.1	400.7	320.4	472.2
Foreign loans	45.7	53.8	90.3	92.0	93.2
Change in cash and other balances	72.7	32.8	66.6	6.6	-3.4
Total	**543.3**	**424.7**	**602.7**	**455.0**	**614.9**

Source: National Treasury

In 2024/25, government will raise US$3 billion from international financial institutions and capital markets to meet its foreign-currency commitments. To help manage liquidity, government will draw down on its foreign exchange balances. Over the medium term, government will raise approximately US$15 billion from international financial institutions and capital markets.

As Table 3.8 shows, gross loan debt is expected to increase from R5.62 trillion in 2024/25 to R6.82 trillion in 2027/28, driven by the budget deficit and fluctuations in interest, inflation and exchange rates. Gross loan debt as a share of GDP is projected to stabilise at 75.5 per cent in 2025/26. Compared with the 2024 Budget estimate, debt-service costs will increase by R6.7 billion, reaching R388.9 billion in 2024/25 and R475.7 billion, or 21.6 per cent of revenue, by 2027/28.

Table 3.8 Total national government debt

End of period	2023/24	2024/25	2025/26	2026/27	2027/28
R billion	Outcome	Revised	Medium-term estimates		
Domestic loans[1]	**4 667.8**	**5 045.3**	**5 440.2**	**5 745.8**	**6 063.1**
Short-term	511.2	543.6	588.6	624.6	677.6
Long-term	4 156.6	4 501.7	4 851.7	5 121.3	5 385.5
Foreign loans[1]	**591.6**	**577.2**	**614.4**	**678.5**	**754.4**
Gross loan debt	**5 259.4**	**5 622.5**	**6 054.7**	**6 424.4**	**6 817.5**
Less: National Revenue Fund	-195.7	-156.9	-96.3	-95.0	-103.8
Net loan debt[2]	**5 063.7**	**5 465.6**	**5 958.3**	**6 329.4**	**6 713.7**
As percentage of GDP:					
Gross loan debt	*74.1%*	*74.7%*	*75.5%*	*75.3%*	*75.0%*
Net loan debt	*71.4%*	*72.6%*	*74.3%*	*74.2%*	*73.8%*

1. Estimates include revaluations based on National Treasury's projections of inflation and exchange rates
2. Net loan debt is gross loan debt minus the bank balances of the National Revenue Fund
Source: National Treasury

RISKS TO THE FISCAL OUTLOOK

Risks to the fiscal outlook remain elevated in the near to medium term. Key risks include:

- Lower revenue growth due to an unexpected global or domestic slowdown.
- A higher-than-anticipated public-service wage settlement.
- Higher borrowing costs driven by a prolonged elevation of the risk premium and a slower-than-expected reduction in global interest rates.
- Persistent deficits and the accumulation of liabilities in other areas of the public sector, such as state-owned companies, potentially leading to increased demands for budgetary support.

The fiscal risk statement (Annexure A) presents more detail. Over the next several years the National Treasury will enhance its comprehensiveness.

CONCLUSION

Government continues to execute and make progress on the balanced fiscal strategy, which stabilises debt next year and complements government's economic growth reforms.

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4

2024 MTBPS

EXPENDITURE PRIORITIES

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Consolidated government spending is expected to increase from R2.4 trillion in 2024/25 to R2.77 trillion in 2027/28, growing by an annual average rate of 4.9 per cent. Over the medium term, economic development is the fastest-growing function at 7.8 per cent, driven by increased infrastructure allocations.
- Compared with the 2024 Budget, main budget non-interest spending increases by a net R10.4 billion in 2024/25 and R16.4 billion in 2025/26, with nearly 60 per cent of spending supporting the social wage.
- Function groups have also reprioritised and reallocated their budgets to fund cost pressures and urgent policy priorities within departments and entities over the medium-term expenditure framework (MTEF) period.

INTRODUCTION

Consolidated government spending is projected to increase from R2.4 trillion in 2024/25 to R2.77 trillion in 2027/28, growing at an annual average rate of 4.9 per cent. Over the same period, revenues are projected to underperform compared to the 2024 Budget projections. In this context, major spending pressures still need to be funded mainly from current baselines, reprioritisations or shifts between programmes. The 2025 Budget will outline medium-term spending plans to address these challenges and ensure government's ability to meet its fiscal goals.

REVISIONS TO EXPENDITURE PRIORITIES

Medium-term changes to spending are largely driven by government's proposals to implement early retirement measures in 2025/26 and 2026/27 to manage the public-service wage bill and bring in younger talent into the public service. These revisions also include national government's contribution to the repayment of South African National Roads Agency Limited (SANRAL) debt relating to the Gauteng Freeway Improvement Project debt repayment in 2025/26, as well as transferring Gauteng Province's portion of this SANRAL debt and maintenance obligations. Additionally, significant adjustments are made to carry-through costs for South African National Defence Force troop deployment in the Democratic Republic of the Congo. These and other proposals will be included in the 2025 Budget.

In-year spending adjustments

The 2024 Adjustments Budget includes unforeseeable and unavoidable adjustments dedicated to support the rebuilding and rehabilitation of infrastructure damaged by floods across multiple municipalities and provinces. Similar support will be provided through the *provincial roads maintenance grant* for road reconstruction. Other adjustments targeted at infrastructure include a top-up of the *emergency housing grant* to fund current shortfalls and historical outstanding interventions.

In addition, special adjustments are included for the repayment of debt to SANRAL and appropriations to the Presidency, the Department of International Relations and

Cooperation and the Department of Justice and Constitutional Development in legal costs for South Africa's case in the International Court of Justice. These in-year adjustments also contain emergency funds related to the South African National Defence Force troop deployment in the Democratic Republic of the Congo.

The remaining upward expenditure adjustments are for rollovers, defence troop deployment, unforeseeable and unavoidable expenditure and spending announced in the 2024 Budget, including an increase in the *COVID-19 social relief of distress grant*. An amount of R60 million is also added for costs related to the initial activities of South Africa's G20 Presidency in 2024/25. In addition, R2.6 billion is included for self-financing from the revenue-generating activities of departments.

These increases are partially offset by declared unspent funds, projected underspending, drawdowns of the contingency reserve and provisional allocations not assigned to votes. Details on in-year spending adjustments for national departments are set out in the 2024 *Adjusted Estimates of National Expenditure*.

SPENDING PRIORITIES BY FUNCTION GROUP

Consolidated government spending is projected to increase from R2.4 trillion in 2024/25 to R2.77 trillion in 2027/28, growing at an annual average rate of 4.9 per cent. The learning and culture function accounts for the largest share of this growth. Economic development is the fastest-growing function, with growth averaging 7.8 per cent over the MTEF period driven by increased infrastructure allocations. Debt-service costs grow at an average of 6.9 per cent per year. Spending on payments for capital assets is the fastest-growing item by economic classification, increasing at an annual average of 10.6 per cent over the three-year period. A portion of social protection funding is retained within the fiscal framework as part of provisional allocations to be finalised at the time of the 2025 Budget.

Table 4.1 Consolidated expenditure by function[1]

R billion	2023/24 Outcome	2024/25 Revised	2025/26 Medium-term estimates	2026/27	2027/28	Average annual growth 2024/25 – 2027/28
Learning and culture	**462.9**	**478.6**	**498.1**	**524.7**	**550.1**	**4.7%**
Basic education	315.1	323.3	342.4	362.8	380.6	5.6%
Post-school education and training	135.6	143.0	143.9	149.9	156.8	3.1%
Arts, culture, sport and recreation	12.1	12.3	11.8	12.0	12.7	1.0%
Health	**265.9**	**274.0**	**284.5**	**297.2**	**310.8**	**4.3%**
Peace and security	**239.6**	**249.8**	**257.7**	**270.8**	**280.6**	**3.9%**
Defence and state security	56.4	57.1	57.3	59.9	62.0	2.8%
Police services	117.1	125.3	131.7	137.9	143.8	4.7%
Law courts and prisons	53.5	54.7	57.1	59.7	62.6	4.6%
Home affairs	12.6	12.8	11.7	13.3	12.1	-1.7%
Community development	**254.6**	**264.5**	**272.5**	**281.9**	**293.3**	**3.5%**
Economic development	**239.3**	**262.1**	**293.5**	**298.1**	**328.7**	**7.8%**
Industrialisation and exports	37.8	39.6	39.8	39.6	41.9	1.9%
Agriculture and rural development	27.0	28.2	29.0	30.0	30.9	3.0%
Job creation and labour affairs	22.1	22.6	24.9	26.1	27.3	6.5%
Economic regulation and infrastructure	130.9	151.0	178.4	180.7	206.2	10.9%
Innovation, science and technology	21.5	20.6	21.3	21.8	22.4	2.8%
General public services	**77.4**	**75.7**	**79.0**	**81.8**	**86.0**	**4.4%**
Executive and legislative organs	18.1	17.7	17.7	18.0	18.9	2.3%
Public administration and fiscal affairs	50.3	49.0	51.8	54.5	57.5	5.5%
External affairs	9.0	9.0	9.5	9.3	9.7	2.3%
Social development	**357.6**	**396.3**	**395.8**	**407.1**	**418.5**	**1.8%**
Social protection	281.7	300.6	320.1	337.0	345.3	4.7%
Social security funds	75.9	95.7	75.7	70.2	73.2	-8.5%
Payments for financial assets	**5.4**	**5.2**	**2.4**	**2.6**	**2.6**	
Allocated by function	**1 902.7**	**2 006.1**	**2 083.6**	**2 164.1**	**2 270.6**	**4.2%**
Debt-service costs	356.1	388.9	419.1	445.7	475.7	6.9%
Contingency reserve	–	–	7.6	14.5	20.8	
Consolidated expenditure	**2 258.8**	**2 395.0**	**2 510.3**	**2 624.4**	**2 767.1**	**4.9%**

1. Consisting of national and provincial departments, social security funds and public entities
Source: National Treasury

Table 4.2 Consolidated expenditure by economic classification[1]

R billion	2023/24 Outcome	2024/25 Revised	2025/26	2026/27	2027/28	Average annual growth 2024/25 – 2027/28
			Medium-term estimates			
Current payments	**1 399.9**	**1 482.0**	**1 567.6**	**1 636.6**	**1 730.8**	**5.3%**
Compensation of employees	724.1	761.4	798.3	832.6	868.0	4.5%
Goods and services	312.7	323.1	341.7	350.2	378.6	5.4%
Interest and rent on land	363.1	397.5	427.6	453.8	484.1	6.8%
of which: debt-service costs	*356.1*	*388.9*	*419.1*	*445.7*	*475.7*	*6.9%*
Transfers and subsidies	**746.8**	**789.1**	**803.8**	**825.5**	**852.3**	**2.6%**
Provinces and municipalities	171.7	181.4	191.1	199.3	208.1	4.7%
Departmental agencies and accounts	33.6	29.1	33.4	29.3	25.9	-3.8%
Higher education institutions	51.0	54.4	55.5	58.0	60.6	3.7%
Foreign governments and international organisations	3.0	3.2	3.3	3.4	3.6	4.0%
Public corporations and private enterprises	39.6	39.5	38.9	40.3	42.4	2.3%
Non-profit institutions	42.2	40.2	43.3	46.4	49.8	7.4%
Households	405.7	441.3	438.3	448.8	461.9	1.5%
Payments for capital assets	**106.6**	**118.7**	**128.9**	**145.1**	**160.6**	**10.6%**
Buildings and other capital assets	78.1	88.7	100.7	117.1	131.1	13.9%
Machinery and equipment	28.5	30.0	28.2	28.0	29.5	-0.5%
Payments for financial assets	**5.4**	**5.2**	**2.4**	**2.6**	**2.6**	
Total	**2 258.8**	**2 395.0**	**2 502.7**	**2 609.9**	**2 746.3**	**4.7%**
Contingency reserve	–	–	7.6	14.5	20.8	
Consolidated expenditure	**2 258.8**	**2 395.0**	**2 510.3**	**2 624.4**	**2 767.1**	**4.9%**

1. Consisting of national and provincial departments, social security funds and public entities
Source: National Treasury

Learning and culture

Learning and culture is made up of the basic and higher education sectors, as well as sport, arts and culture. Over the medium term, basic education will prioritise quality improvements such as piloting a nutrition programme in early childhood development, placing renewed emphasis on early grade reading and gradually introducing mother tongue-based bilingual education. These initiatives are expected to improve educational outcomes.

Universities, technical and vocational education and training colleges, and community education and training colleges need to align student enrolment with budgets and improve the quality of offerings. Government is reviewing the apprenticeship and skills development levy systems. In collaboration with the private sector, government also aims to double the number of artisans completing trade tests in the next three years through increased work-based learning opportunities.

Museums, playhouses and heritage institutions will need to contain costs in line with their reduced operating transfer and the sector is considering a shared services model for its entities to release funding from overheads for service delivery.

Health

The health sector is focused on delivering consistent services amid budgetary constraints. The Department of Health is working with the Department of Public Service and Administration to review human resource policies, such as the occupation-specific dispensation, commuted overtime and rural allowances, which inflate the cost of public health professionals. During 2025/26, the sector will focus on improving efficiency by implementing the recommendations of spending reviews and introducing innovative solutions like the central chronic medicine dispensing and distribution system. This will allow resources to be redirected towards quality improvement programmes like the ideal clinic and ideal hospital initiatives, as well as improving access to healthcare services.

In preparation for the implementation of national health insurance, the sector will continue to enhance health infrastructure through sustained allocations in direct and indirect infrastructure grants. Major funding shifts are not expected in the 2025 MTEF period as the focus will be on developing systems and mechanisms that support this reform, as outlined in the National Health Insurance Act (2023).

Peace and security

Over the medium term, this function aims to build a capable, ethical and developmental state through safer communities, increased business confidence and effective border management to ensure territorial integrity.

From the 2025 MTEF period onwards, funding will be reprioritised within the function to departments and entities to establish a shared forensic capability within the Financial Intelligence Centre. This will strengthen efforts to combat money laundering and the financing of terrorism and secure South Africa’s removal from the Financial Action Task Force grey list. The Independent Police Investigative Directorate, the Public Protector South Africa and the South African Human Rights Commission will also receive reprioritised funds to strengthen investigative capacity to deal with case backlogs and human rights violations.

From April 2025, the Information Regulator will be a standalone public entity, with funding realigned to procure financial, personnel management and payroll systems so it can operate independently of the Department of Justice and Constitutional Development.

Community development

Over the medium term, this function will continue supporting the provision of basic services, addressing service delivery challenges through improved collaboration across spheres of government and improved management of conditional grants, strengthening infrastructure financing and water and sanitation management, and delivering priorities relating to human settlements and public transport.

Government is increasing investment in bulk water and sanitation infrastructure and efficient water management strategies, including by implementing a new water pricing strategy and improving the sustainability of water boards through charges. The human settlements white paper will set out a new strategy for this sector, ensuring alignment across government spheres.

In addition, government will finalise the disaster response strategy and facilitate plans at local government level to improve preparedness and response time, as well as providing rapid and responsive emergency housing and accommodation solutions. Public transport will be prioritised through the Passenger Rail Agency of South Africa.

Economic development

The economic development function implements programmes for economic growth and job creation, focusing on sectors like agriculture, tourism, industrialisation, export promotion, small business development, science and innovation. The Department of Agriculture, Land Reform and Rural Development is working to ensure equitable land access and support resettled farmers for improved farm productivity, food security and job creation. From April 2025, the agriculture function will become a standalone national department that will prioritise support for subsistence and smallholder farmers.

The Department of Forestry, Fisheries and the Environment is implementing the Climate Change Act (2024), which aims to provide a coordinated and integrated response to climate change across the country. The act establishes the statutory framework for the first mandatory carbon budget framework, sectoral emission targets and the Presidential Climate Commission. The department is consulting with different spheres of government on implementation methods and is assessing resource needs.

The Department of Trade, Industry and Competition is restructuring incentives to fund masterplans and achieve smart industrialisation goals. The Department of Small Business Development will train municipalities to tackle red tape and unnecessary procedures that hinder small business growth and cooperative development. The Department of Tourism will continue supporting the tourism sector through the Tourism Sector Masterplan. The Community Work Programme will increase collaboration with private partners to strengthen skills building, maximise impact and explore alternative pathways to employment.

Economic regulation and infrastructure will focus on digital transformation, monitoring the implementation of the national data and cloud policy, and supporting the second phase of the spectrum auction. The Department of Mineral Resources and Energy will be separated into two departments by April 2025. The newly established Department of Electricity and Energy will advance the development of transmission infrastructure, oversee the amended Electricity Regulation Act (2006) and manage the Integrated National Electrification Programme. Government is reviewing the *integrated national electrification programme grant* and will finalise related reforms over the medium term.

Review of employment and social support systems

Active labour market programmes (ALMPs) include government initiatives such as job creation, training and public employment services, while public employment programmes (PEPs) are programmes financed and implemented by government that create direct employment through productive activities. The current portfolio of ALMPs and PEPs is extensive, resource intensive and complex, with multiple programmes and projects across the three spheres of government. This fragmentation makes it difficult to access and navigate, and there is no single point of entry for citizens to assess their needs. The National Treasury and the Presidency, working with other state institutions, have initiated a comprehensive review of ALMPs, PEPs and the social support system to improve efficiency and effectiveness. The first phase of this review will be completed by March 2025.

The review will recommend and initiate the implementation of solutions to:

- Enhance strategic coherence and coordination across ALMPs, PEPs and the social support system to maximise impact and improve resource allocations.
- Use technology to offer a platform so that beneficiaries can easily navigate the support available (that is, pathway management).
- Create a transparent mechanism to assess the effectiveness of ALMP and PEP interventions to ensure efficient resource use.
- Integrate these portfolios to respond to the diverse needs of people seeking employment, skills development, self-employment and/or entrepreneurship.

The review will help develop a set of reforms designed to optimise leadership, management, funding and integration of these critical portfolios.

General public services

The function supports the establishment of a capable state for transformative development and accounts for 4.4 per cent of consolidated spending in 2024/25. The South African Revenue Service is allocated additional funds to strengthen its revenue collection capacity. Furthermore, additional funding has been allocated to Parliament for the payment of exit packages and loss of office gratuities to non-returning Members of Parliament following the end of the sixth Parliament, and to address human resource capacity constraints.

South Africa will hold the G20 Presidency from 1 December 2024 to 30 November 2025. Over the medium term, the function will receive additional funding for some of the departments involved in G20 preparations. Various government departments and institutions will be involved, with the National Treasury and the Reserve Bank leading the finance track and the Department of International Relations and Cooperation leading the Sherpa track.

Social development

The 2024 *Medium Term Budget Policy Statement* maintains support for vulnerable households by ensuring that 59.9 per cent of non-interest spending is allocated to the social wage, of which social protection is the largest component.

Table 4.3 Social wage

R billion	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Revised	Medium-term estimates		
Community development	**164.2**	**182.2**	**201.0**	**210.7**	**219.7**	**226.1**	**233.2**
Housing development	27.0	25.7	26.5	28.1	28.6	27.9	28.2
Transport	29.4	37.5	45.9	45.3	45.1	46.4	47.9
Basic services and local government[1]	107.8	119.0	128.6	137.4	146.1	151.8	157.0
Employment programmes	**17.7**	**19.2**	**19.3**	**19.4**	**20.3**	**21.3**	**22.3**
Health	**228.5**	**235.3**	**243.3**	**251.5**	**261.2**	**273.1**	**285.5**
Basic education	**262.5**	**276.2**	**291.4**	**296.5**	**311.9**	**327.0**	**343.0**
Fee-free higher education and training	**55.9**	**63.6**	**65.2**	**69.5**	**70.5**	**73.1**	**76.0**
Social protection	**252.2**	**260.3**	**278.8**	**298.0**	**317.5**	**334.1**	**342.3**
of which: Social grants	*222.7*	*233.0*	*250.5*	*269.4*	*248.4*	*259.8*	*271.5*
Social security funds	**76.2**	**66.7**	**65.2**	**79.9**	**59.1**	**53.4**	**55.9**
Social wage	**1 057.2**	**1 103.4**	**1 164.3**	**1 225.6**	**1 260.2**	**1 308.1**	**1 358.2**
Percentage of non-interest spending	*59.5%*	*60.1%*	*61.2%*	*61.1%*	*60.3%*	*60.0%*	*59.3%*

1. Includes local equitable share
Source: National Treasury

Over the medium term, the function will continue to support efforts to reduce poverty, maintain welfare services and strengthen services for women, youth and people with disabilities. The budget for social grants is sufficient for inflation-linked increases in 2025/26, but reform and reprioritisation are needed to improve efficiency in subsequent years. The sector needs to intensify efforts to improve income verification and extend big-data cross-checking to all grants.

DIVISION OF REVENUE

Provinces provide basic education and healthcare services, road infrastructure, human settlements, social development and agriculture. Municipalities are responsible for basic services such as water, sanitation, electricity reticulation, roads and community services. Over the medium term, government proposes allocating 47.8 per cent of available non-interest spending to national departments, 42.4 per cent to provinces and 9.8 per cent to local government.

Provinces and municipalities face spending pressures from the rising costs of basic and social services, alongside revenue pressures due to lower economic growth. Municipalities are particularly affected by higher borrowing costs, while provinces are affected by lower intergovernmental transfers, which are their main revenue source. These challenges underscore the need for greater spending efficiency and strong financial management.

Table 4.4 Division of revenue framework

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
R billion	Outcome			Revised	Medium-term estimates		
Division of available funds							
National departments	**822.8**	**855.9**	**826.9**	**866.0**	**863.5**	**896.7**	**931.3**
of which:							
Provincial indirect grants	*3.8*	*3.5*	*4.1*	*3.9*	*4.2*	*4.2*	*4.6*
Local indirect grants	*5.7*	*7.0*	*8.1*	*7.1*	*7.5*	*8.0*	*8.4*
Provinces	**660.8**	**694.1**	**706.3**	**730.7**	**762.8**	**794.0**	**831.0**
Equitable share	544.8	570.9	585.1	600.5	627.4	655.7	685.1
Conditional grants	116.0	123.3	121.2	130.2	135.4	138.3	145.8
Local government	**135.6**	**150.7**	**157.6**	**170.5**	**177.2**	**183.8**	**189.5**
Equitable share	76.2	83.9	92.3	101.2	106.1	110.7	115.7
General fuel levy sharing with metropolitan municipalities	14.6	15.3	15.4	16.1	16.8	17.6	18.4
Conditional grants	44.8	51.4	50.0	53.1	54.3	55.5	55.4
Provisional allocations not assigned to votes[1]	–	–	–	–	46.1	60.1	63.5
Projected underspending	–	–	–	-2.9	–	–	–
Non-interest allocations	**1 619.2**	**1 700.7**	**1 690.8**	**1 764.1**	**1 849.7**	**1 934.5**	**2 015.2**
Debt-service costs	268.1	308.5	356.1	388.9	419.1	445.7	475.7
Contingency reserve	–	–	–	–	7.6	14.5	20.8
Main budget expenditure	**1 887.3**	**2 009.2**	**2 046.9**	**2 153.0**	**2 276.4**	**2 394.7**	**2 511.8**
Percentage shares							
National departments	50.8%	50.3%	48.9%	49.0%	47.9%	47.8%	47.7%
Provinces	40.8%	40.8%	41.8%	41.3%	42.3%	42.4%	42.6%
Local government	8.4%	8.9%	9.3%	9.6%	9.8%	9.8%	9.7%

1. Includes amounts for projects approved through Budget Facility for Infrastructure and other provisional allocations
Source: National Treasury

Data challenges from the 2022 Census and implications for the equitable shares

The phased release of the 2022 Census data has delayed the availability of information needed to update the provincial equitable share and local government equitable share formulas for the 2025/26 financial year. This delay also affects the release of income and expenditure data essential to updating poverty measurements in both formulas. Both formulas still use data from the 2010/11 Income and Expenditure Survey, which does not reflect recent shifts in poverty levels. The biggest impact of this delay is on the local government equitable share, which relies heavily on income and expenditure data. Statistics South Africa anticipates that the income and expenditure survey data will be available in December 2024.

The provincial equitable share

Allocations for the provincial equitable share, which is the main revenue source for provinces, are shown in Table 4.5.

Table 4.5 Provincial equitable share

R million	2024/25	2025/26	2026/27	2027/28
Eastern Cape	78 093	81 702	85 037	88 842
Free State	33 091	34 518	36 038	37 597
Gauteng	127 992	132 810	137 910	143 095
KwaZulu-Natal	121 145	126 915	133 330	139 966
Limpopo	69 625	73 375	77 219	81 203
Mpumalanga	49 499	52 007	54 679	57 445
Northern Cape	16 143	16 958	17 792	18 655
North West	42 816	44 363	45 860	47 367
Western Cape	62 071	64 794	67 840	70 979
Total	**600 476**	**627 442**	**655 704**	**685 150**

Source: National Treasury

Provincial budget and expenditure

Provincial accruals increased from R29.6 billion in 2022/23 to R36.3 billion in 2023/24, marking an annual rise of R6.7 billion or 22.8 per cent. In 2022/23, accruals rose by R2.9 billion, or 10.7 per cent, from R26.7 billion in 2021/22.

Strategies to manage these accruals include aligning procurement with monthly cash flow projections and budget availability and prioritising the payment of overdue invoices. As of 31 March 2024, medico-legal contingent liabilities totalled R61.6 billion, with provinces paying an average of R1.5 billion annually to settle related claims.

In-year adjustments

Provincial allocations include an additional R948 million for infrastructure reconstruction in the Western Cape due to flood damage, with funds allocated to the *provincial roads maintenance grant*, the *health facility revitalisation grant*, the *comprehensive agricultural support programme grant* and the *education infrastructure grant*. Additionally, R35.7 million is rolled over for the *school infrastructure backlogs grant* in the Eastern Cape, and R251 million is added in the *education infrastructure grant* for the Western Cape Rapid School Build Programme through the Budget Facility for Infrastructure.

Local government allocations include R684 million for the *municipal disaster recovery grant* to repair flood-damaged infrastructure across several provinces, with specific amounts allocated to Eastern Cape, Free State, KwaZulu-Natal, Limpopo and Mpumalanga municipalities. An amount of R300 million is reallocated from the *public transport network grant* to the Taxi Relief Fund for the continuation of a once-off gratuity to taxi owners with valid operating permits. Additionally, the allocation from the *regional bulk infrastructure grant* to Drakenstein Local Municipality is reduced by R225 million to align with revised plans for a sanitation upgrade project.

Conditional grant review progress

Government has finalised its review of the conditional grant system and developed a range of reforms based on the results. These reforms will be implemented over the next three years. They aim to rationalise conditional grants, incorporate them into the provincial equitable share and enhance their effectiveness.

Reforms over the 2025 MTEF period will include merging the *comprehensive agricultural support programme grant* with the *Ilima/Letsema grant*, and the *education infrastructure grant* with the *school infrastructure backlogs grant*. The *community library services grant* will be incorporated into the provincial equitable share, and indirect grants like the *municipal systems improvement grant* and the *neighbourhood development partnership grant (indirect)* will be integrated into the budget baselines for the Department of Cooperative Governance and the National Treasury respectively to ensure that allocations are earmarked for their original purposes.

As discussed in Chapter 5, government is reforming the *metro trading services grant* to incentivise reforms to trading services and unlock additional infrastructure financing. Additionally, the *public transport network grant* will be enhanced by increasing the incentive component of its formula, and the R5 million base allocation to the *municipal infrastructure grant* will be revised with inflation-linked adjustments to better address rising infrastructure needs and costs. Longer-term reforms will address water reticulation, road and energy grants, and introduce performance incentives for municipalities. Consultations are ongoing to reconfigure grants with minimal disruption following the introduction of the National Health Insurance Act.

Transforming financial management support

The National Treasury is consolidating its financial management support into a unified Local Government Financial Management Capability Programme. This strategic shift is designed to enhance municipal capacity building and foster sustainable municipal development. Progress to date includes the integration of existing initiatives such as the *local government financial management grant*, the Municipal Finance Improvement Programme and the Municipal Revenue Management Improvement Programme into a single support programme. The redesign emphasises differentiated support tailored to municipal types and maturity levels. It is expected to be completed by March 2025. More information will be provided in the 2025 Budget.

Update on Eskom debt relief for municipalities

National government is supporting municipalities with debt relief for arrears debt to Eskom, to be written off in equal annual tranches over a three-year period provided they comply with set conditions. This programme, operating on rolling 12-month cycles, aims to mitigate fiscal risks by improving compliance with financial management and revenue collection. By combining debt relief and revenue enhancement, it aims to change the non-payment culture for municipal services and support Eskom's balance sheet.

Between March and August 2024, compliance improved from 55 per cent to 76 per cent, aided by the National Treasury and the Municipal Finance Improvement Programme. However, slow compliance with the conditions risks delaying debt write-offs. Success depends on municipalities maintaining a quarterly revenue collection rate of 85 per cent, which is below the National Treasury collection norm for local government of 95 per cent. Municipalities are encouraged to offer relief to indebted customers who pay current bills and transition to smart prepaid metering. Rand West City is the first municipality to benefit from a one-third debt write-off, following its substantial achievement of the debt-relief conditions for the first 12-month cycle. This sets the precedent for future relief.

Despite these efforts, the financial situation of the top 14 Eskom defaulters remains critical, requiring alternative solutions. The National Treasury, with stakeholder departments and Eskom, is exploring additional strategies in this regard.

CONCLUSION

Over the next three years, government spending continues to increase and is expected to reach R2.77 trillion in 2027/28. Government needs to continue improving efficiency and identifying opportunities to reprioritise and downscale programmes that are ineffective. In addition, the wage bill needs to be managed prudently.

5

2024 MTBPS

PUBLIC-SECTOR INFRASTRUCTURE

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

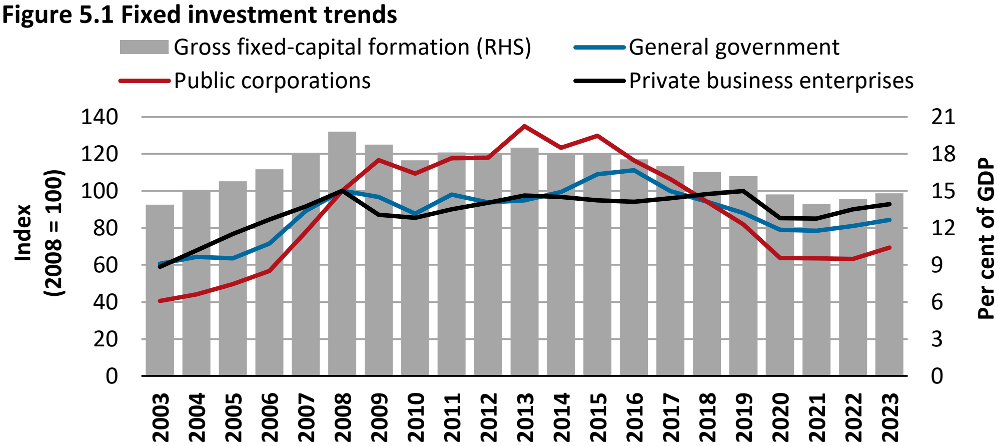
In brief

- Higher investment and more effective delivery of infrastructure are needed to grow the economy and create jobs.
- Government is reforming its approach to infrastructure development, focusing on partnerships with the private sector.
- Lessons from other successful programmes will be used to accelerate infrastructure delivery and adapt institutions.
- In addition to scaling up private-sector participation, the proposed reforms are designed to ensure coordinated decision-making and promote climate resilience.

INTRODUCTION

Efficient infrastructure investment contributes to economic growth in two ways. In the short term it boosts demand for workers and materials through construction activities, and over the long term it increases the economy's capacity to produce. Public- and private-sector fixed investment levels are the foundation for inclusive and sustainable growth – yet they stand at about half of the target of 30 per cent of GDP set by the National Development Plan.

Figure 5.1 Fixed investment trends

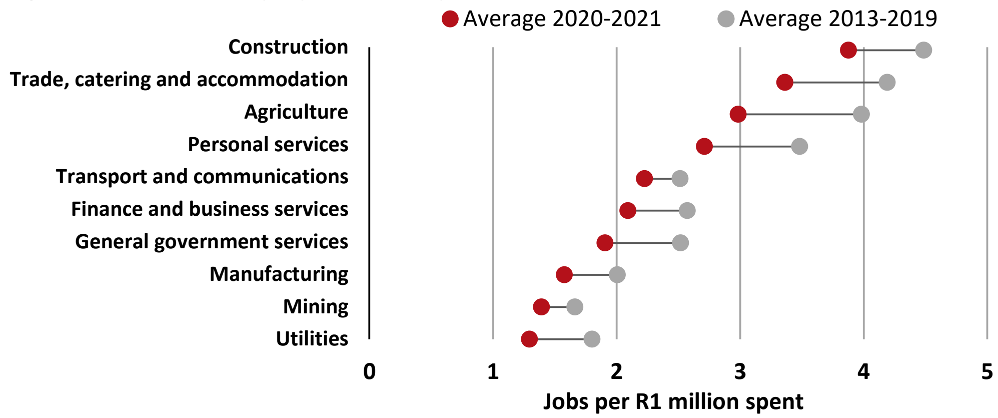


Source: Statistics South Africa

Fixed investment as a percentage of GDP rose steadily through the 2000s but declined between 2016 and 2021, hastened by the COVID-19 pandemic (Figure 5.1). Initially strong investment by public corporations has not translated into effective electricity supply and transport infrastructure, and private investment has been largely flat over the past 15 years.

Reversing this trend is necessary to improve the growth and employment outlook. The construction sector is a major employer that has significant multiplier effects: for every R1 million spent on a construction project, more than three jobs are created for individuals whose highest qualification is a matric certificate. By comparison, a similar investment in mining creates just one job for those whose highest qualification is a matric certificate.

Figure 5.2 Sectoral employment multipliers*



**Based on Social Accounting Matrices between 2013 and 2021. Employment multipliers indicate the relationship between output and employment*
Source: National Treasury and Statistics South Africa

Over the medium term, government is transforming its approach to public-sector infrastructure by creating the conditions to attract private-sector participation. The changes focus on improving project preparation, strengthening partnerships and exploring alternative financing mechanisms. Beginning in 2025/26, the National Treasury will combine 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 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 by sourcing technical skills and facilitating contracting arrangements, will underpin delivery.

SCALING UP PRIVATE-SECTOR PARTICIPATION

A series of reforms under way is expected to catalyse greater private-sector participation in public infrastructure projects.

Credit enhancements to mobilise private finance

Through the successful experience of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), government and investors gained a deep understanding of the risks involved in specific types of public-sector infrastructure investment. In this regard, government is developing a blended financing risk-sharing platform that will build on the REIPPPP experience. It will include a credit guarantee vehicle to help de-risk public-sector projects – starting with the energy sector – for private-sector developers and lenders, while reducing government's contingent liabilities.

The initial focus will be on independent transmission projects to bridge the energy transmission deficit, with options to include other sectors over the medium term. The vehicle is expected to be operational by the end of 2025.

Increasing private participation in transactions

The REIPPPP has unlocked private-sector participation in infrastructure investments and helped develop a credible project pipeline. Various institutions across government are strengthening partnerships to apply the lessons of the REIPPPP in different sectors.

The Department of Water and Sanitation's Water Partnerships Office has two priority programmes for non-revenue water (the revenue lost from leaking water infrastructure) and recycling wastewater for different uses. The private sector can participate through performance-based contracts and PPPs. Performance-based contracts for the non-revenue water programme are being fast-tracked in the eThekwini, Tshwane, Nelson Mandela Bay, Buffalo City and Mangaung metros.

To support the objectives of the freight logistics roadmap and improve passenger rail services, Transnet and the Passenger Rail Agency of South Africa are finalising a list of priority projects. Transaction advisors will then be appointed to structure the transactions and prepare requests for proposal, which will be issued to the market in 2025/26.

Implementing the PPP review recommendations

PPPs, such as the Gautrain and the toll road concessions, are a tried and tested mechanism to deliver infrastructure. A PPP is a contract between government and a private party for the development and management of a public asset in which the private party bears substantive responsibility for risk, provides a significant portion of the finance, and is compensated based on the performance and use of the asset.

The 2024 Budget outlined reforms to the PPP regulations to accelerate infrastructure delivery. The new regulations will reduce procedural complexity in PPP implementation and close regulatory gaps. Regulations relating to unsolicited proposals will make it easier for a private company to make a proposal to the public sector for an investment opportunity. Risk governance will be strengthened through the introduction of fiscal commitments and contingent liabilities reporting requirements.

Together, these reforms will re-energise the development of a bankable pipeline of transactions, providing opportunities for better private capital mobilisation within a transparent regulated framework.

Since the 2024 Budget, government has finalised amendments to National Treasury Regulation 16 and Municipal Regulation 309 – both of which govern PPPs – that incorporate comments received from the public and private sector. Government will release the final amended regulations for entities governed by the Public Finance Management Act (1999) before the end of November 2024.

Grant reforms to support sustainable urban development

Electricity, water, sanitation and waste management services are in long-term decline due to underinvestment in maintenance, rehabilitation and expansion at the municipal level.

In large cities, these services are supplied through trading services, which have experienced significant financial decline. Detailed reforms are being rolled out, including a requirement for municipalities to produce separate financial statements for each trading service and to make the financial relationship between the service and the municipality explicit. In 2025/26, government will create a performance-based conditional grant to trigger these changes. The results are expected to improve the functioning of trading services, which over time will allow for increased investment to supplement grants.

SUSTAINABLE INFRASTRUCTURE FINANCING

Government is considering new long-term financing mechanisms to support infrastructure investment as a standalone asset class. These include the creation of a long-term financing instrument without the current market obligation to value assets on a daily basis. Also under consideration are changes to the Securitisation Regulations issued under the Banks Act (1990) to allow infrastructure loans to be pooled and traded as asset-backed securities – and for the creation of infrastructure investment trusts, which would derive returns from income-generating infrastructure.

A consultation paper discussing the design of these instruments will be published before the 2025 Budget.

Reforming government borrowing for infrastructure

Government borrowing for infrastructure programmes and capital budgets funded through the budget will be shown as a defined category of the broader borrowing programme. The scope for borrowing will be extended to include infrastructure bonds, bilateral loan financing and concessional funding from international financial institutions, including multilateral development banks. Where possible, partners in the Just Energy Transition Investment Plan will be approached for concessional loans for projects with demonstrable climate change co-benefits. In addition to funding, multilateral development banks and other international financial institutions can provide technical assistance with project preparation and implementation.

A request for proposals will be issued before end-November 2024 with details for selected projects and programmes that can be financed by interested lenders.

RECONFIGURING PROJECT APPRAISAL AND FINANCING

Since its introduction in 2016, the Budget Facility for Infrastructure (BFI) has developed a standardised appraisal methodology for large infrastructure projects in line with global best practice. Building on earlier successes, the BFI will evolve into a unified public investment system, or centralised gateway, for all large infrastructure projects.

Project submissions will be evaluated quarterly rather than annually, as is currently the case. The same appraisal methodology will be used, but financing decisions will be separated from the budget process to determine the most effective mechanism for each project. This could include government guarantees, appropriations, PPPs or other fiscal tools. This is expected to improve efficiency and the allocation of fiscal and project risk.

New appraisal and financing system to take shape over medium term

The BFI employs bid windows through which public institutions – including national departments, provinces, municipalities and public entities – request funding for part of the cost of a project. The eighth bid window for the 2025 Budget process is piloting the reconfigured system of appraisal and financing described above.

The introduction of project-based loans may result in a marginally higher borrowing requirement at the time of the 2025 Budget. However, it is expected that the borrowing costs will be more favourable and investors will be able to directly link their investment decisions to specific infrastructure projects or a portfolio of projects.

The following projects have been approved for execution using the new appraisal and financing system from 2025/26:

- Transnet: Cape Town Container Terminal Expansion Phase 2B to expand landside capacity at the terminal. It includes rehabilitating and upgrading the container stacking pavement, expanding the truck staging area and building new rail sidings.
- City of Johannesburg: Alternative Wastewater Treatment Technology PPP to convert 500 000 tonnes of solid waste per year to energy.
- eThekwini: Non-Revenue Water Project for infrastructure upgrades to reduce leaks.
- South African Nuclear Energy Corporation: Replace the SAFARI-1 research reactor.
- Department of Water and Sanitation: Olifants Management Model Programme Phase 2D and 2F for bulk distribution water infrastructure, including pipelines, reservoirs and reticulation.
- Department of Health: Siloam District Hospital to build a new 224-bed hospital, refurbish the psychiatric ward and mortuary, and construct facilities for allied services such as audiology, physiotherapy and occupational therapy.
- Department of Higher Education: Student Housing Infrastructure Programme to build six facilities at universities and technical and vocational education and training colleges.
- Western Cape Department of Health: Tygerberg Hospital Redevelopment Health Technology PPP to procure health technology.
- Transnet: Ukuvuselela Gauteng-Eastern Cape High-Capacity Rail Corridor to upgrade the South Corridor railway line and expand port infrastructure for automotive handling.

BUILDING CLIMATE RESILIENCE

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 the subnational level as a cost-effective way to respond to shocks.

CONCLUSION

The infrastructure investment system is being strengthened in the areas of planning, investment appraisal, contracting, monitoring and evaluation. These reforms are expected to attract significant private-sector investment to augment public-sector resources. Over time, these changes will improve the fiscal position as well as the provision of effective and growth-enhancing infrastructure.

2024 MTBPS

ANNEXURES

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

A

2024 MTBPS
FISCAL RISK STATEMENT

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

INTRODUCTION

Key risks to the fiscal outlook over the medium term and beyond include lower economic growth, challenges in executing government's borrowing strategy and spending pressures, particularly from subnational governments and state-owned companies. While risks are slightly more balanced than at the time of the 2024 Budget, government will continue to manage fiscal policy carefully. Robust implementation of growth-enhancing reforms is critical to mitigate global and domestic risks.

Figure A.1 Fiscal risk framework

Risk category	Major issues
Macroeconomic risks	▪ Slow economic growth ▪ Higher-for-longer interest rates
Expenditure risks	▪ Higher-than-expected wage agreement ▪ Subnational government ▪ State-owned companies
Long-term sustainability	▪ Demographic changes ▪ Productivity growth

MACROECONOMIC RISKS

Weak economic growth is the most significant macroeconomic risk to the fiscus. A prolonged deceleration of global economic growth or a failure to overcome South Africa's persistent logistical constraints would result in additional pressure on revenue collection and the fiscal position.

Domestic and global monetary policies have begun to ease; however, if interest rates were to remain higher than expected, it could negatively affect the country's debt dynamics. Similarly, significant higher-than-expected budget deficits or a failure to stabilise public debt could prompt investors to demand higher interest rates on government bonds to compensate for increased risk. This in turn could place new pressure on government to raise taxes or reduce spending. Conversely, a faster-than-expected easing of policy rates could support a decline in the debt-to-GDP ratio.

The reduction in the fiscal deficit, improvements in investor sentiment and the country's ability to manage political transition in a peaceful and stable manner, exemplified in the recent formation of a government of national unity, should also help to lift economic growth and reduce fiscal risks.

Fiscal scenarios

The fiscal framework is grounded in the baseline economic forecast presented in Chapter 2. However, deviations from key assumptions – such as GDP growth, inflation, interest rates and exchange rates – can have substantial implications for public finances. To better anticipate and respond to these uncertainties, the 2024 *Medium Term Budget Policy Statement* (MTBPS) models the fiscal impact of two alternative macroeconomic scenarios outlined in Chapter 2.

Scenario A: The primary balance improves more rapidly relative to the 2024 MTBPS baseline projection. Debt-service costs fall below 20 per cent of revenue by 2030/31 and the debt-to-GDP ratio stabilises at 74.8 per cent of GDP in 2024/25 and declines thereafter to 60.7 per cent of GDP in 2032/33.

Scenario B: The primary balance deteriorates by R78.9 billion over the medium term compared with the baseline forecast. Debt-service costs remain above 20 per cent of revenue for the foreseeable future. By 2027/28, debt stabilises at 77.4 per cent of GDP and then declines to 71.4 per cent of GDP by 2032/33.

DEBT MANAGEMENT RISKS

Government continues to target lower budget deficits over the medium term. Nevertheless, debt levels and redemptions are expected to remain elevated over the next several years (Figure A.2), increasing the risks posed by fluctuations in interest rates, inflation and exchange rates – all of which affect both the debt burden and debt-service costs. Figure A.3 shows the impact of these fluctuations. A R1 change in the rand/US dollar exchange rate, for example, results in a R29.6 billion change in gross loan debt.

Between 2024/25 and 2032/33, average annual debt redemptions are projected to reach R251.8 billion, compared with an average of R63.6 billion over the prior 10-year period, placing considerable pressure on capital markets and pushing up borrowing costs across the economy. As the scale of debt redemptions grows, so too do refinancing risks.

Effective fiscal consolidation will help mitigate these risks by narrowing the deficit and limiting the growth of debt stock. Government continues to manage debt prudently and sustainably by diversifying its debt portfolio and reducing refinancing risks, all within its strategic risk benchmarks.

Figure A.2 Long-term government debt redemptions

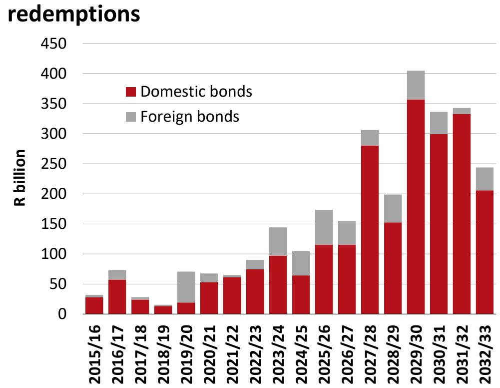
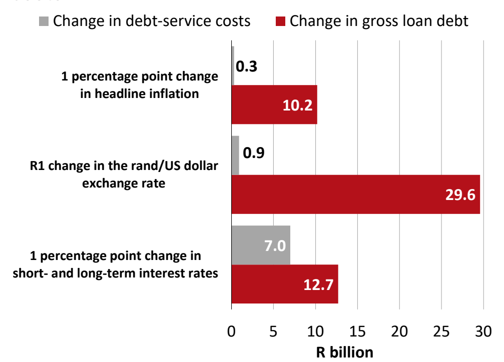


Figure A.3 Sensitivity of debt and debt-service costs



Source: National Treasury

EXPENDITURE RISKS

Compensation spending

The wage bill is the largest expenditure pressure facing government, and the uncertain outcome of the 2025/26 wage agreement on employee compensation baselines poses a significant risk to medium-term fiscal projections. An agreement that exceeds government's expectations would result in structural spending increases. Compensation spending pressures are discussed in Chapter 3.

Subnational government

Unpaid bills and accruals from provincial and local governments remain significant fiscal risks. For provincial governments, accruals are estimated at R36.3 billion in 2023/24, up from R29.6 billion in the previous year. A failure to manage budget pressures would see an increase in unpaid bills and accruals.

The severity of risks related to provinces' medico-legal contingent liabilities, however, has declined, partly due to improved internal controls. After peaking at R110.4 billion in 2019/20, these liabilities fell to R61.6 billion in 2023/24. Claim payments fell from R1.8 billion in 2019/20 to R1.5 billion in 2023/24. The Department of Health and the National Prosecuting Authority are coordinating efforts to safeguard state healthcare facilities and vulnerable patients, addressing fraud, improving record-keeping and ensuring that all documentation is captured electronically.

Many local governments remain under financial pressure. Municipalities owe creditors R116.5 billion and 75.3 per cent of this debt is more than 90 days overdue. In 2023/24, municipalities were owed R339.9 billion, of which R294.1 billion is debt older than 90 days. Households account for 73 per cent of this debt and businesses make up another 20 per cent. Government's long-term sustainability strategy for municipalities is to raise payment rates and improve credit management.

Government's five-year action plan includes refining the local government funding model by March 2027, as well as exploring alternative municipal revenue sources. Development charges, though not a new revenue source, are being explored to finance infrastructure from land intensification, particularly in cities and large urban municipalities. The recently enacted Municipal Fiscal Powers and Functions Amendment Act (2024) provides legal certainty and a uniform framework for levying these charges, supporting municipalities in mobilising their own revenue for infrastructure. Additionally, municipalities are receiving support through debt relief for arrears to Eskom, contingent on meeting conditions such as improved credit controls and revenue collection performance. The Municipal Finance Improvement Programme is enhancing tariff setting, budget policies and debt management to strengthen municipal revenue systems, while the R2 billion *smart meters grant* aims to improve revenue collection through prepaid solutions.

CONTINGENT LIABILITIES

Contingent liabilities represent government's potential financial commitments if certain events occur. The bulk of contingent liabilities are associated with the poor financial condition of state-owned companies. In recent years, some of these liabilities have materialised, straining the fiscal framework. In line with government's intent to improve transparency and the management of contingent liabilities, Cabinet members who have requested guarantees for state-owned companies are now required to report those requests to Parliament once they have been considered by the Minister of Finance.

Government's guarantee portfolio decreased from R751.9 billion in March 2022 to R663.9 billion in March 2023. Guarantees to state-owned companies decreased from R543.6 billion in March 2022 to R448.1 billion in March 2023, mostly due to a decline in the Reserve Bank loan guarantee scheme from R100 billion to R20 billion. Eskom constitutes 84 per cent of the exposure, although its guarantee framework agreement expired on 31 March 2023. The guarantee to Denel has also expired and no new guarantees were issued to state-owned companies in the current year.

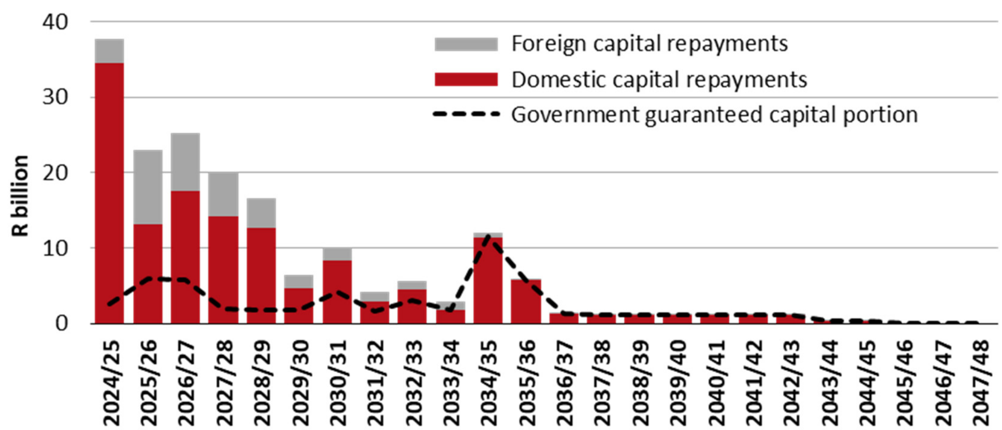
Rapid implementation of the structural reforms outlined in Chapter 2, supported by a strategic approach to state-owned companies, is crucial in managing these contingent liabilities.

FINANCIAL CONDITION OF STATE-OWNED COMPANIES

The financial position of state-owned companies remains distressed. Despite several notable operational improvements, such as at Eskom, most major state-owned companies continue to post net losses and fall short of performance targets. Many remain unable to fund their operations and debt obligations adequately. They are also unable to optimally invest in infrastructure, with many entities requiring some form of state support to implement their recovery plans.

Government is pursuing a sustainable turnaround at these companies while maintaining service delivery. The intent is to attract private-sector involvement to improve efficiency and increase competition. After a period of little movement, turnaround plans have begun to yield some initial results. Figure A.4 shows the debt maturity profile of selected state-owned companies.

Figure A.4 Debt maturity profile of selected state-owned companies



Source: National Treasury, ACSA, DBSA, Denel, Land Bank, IDC, SANRAL, SAA and TCTA

State-owned companies are likely to continue to face high borrowing costs as poor governance and operations limit their access to funding. Although global interest rates are expected to decline, those entities with weak and highly leveraged balance sheets, poor cash generation and significant refinancing risks may face difficulty in raising finance until they return to better form.

As shown in Figure A.4, debt amounting to R37.7 billion will mature in 2024/25. Much of this is domestic debt and is expected to be refinanced. Maturing debt between 2024/25 and 2028/29 is expected to total R122.6 billion, of which R18.2 billion (or 15 per cent) is guaranteed by government. Foreign capital repayments are expected to amount to R30.5 billion or 25 per cent of maturities.

Denel

Denel remains a risk to the fiscus as it is unable to fulfil its financial obligations. As noted in previous budget documents, broader policy decisions are required for Denel to complete its turnaround plan and become sustainable.

Eskom

Eskom remains highly dependent on government support through the debt-relief arrangement. The utility has begun to strengthen its performance, with no power cuts since the end of March 2024 and improved profitability. Its most recent financial plan also targets profitability from 2026/27 onwards. However, escalating municipal debt arrears continue to negatively affect its financial performance.

The debt-relief arrangement granted to Eskom is intended to strengthen its balance sheet, enabling it to restructure and undertake the investment and maintenance needed to support stable electricity supply aligned with national needs. Given Eskom's failure to dispose of the Eskom Finance Company by 31 March 2024, the National Treasury reduced the debt-relief allocation from R78 billion to R76 billion in 2023/24. This allocation was fully disbursed and converted to equity following Eskom's compliance with all the attached conditions. Eskom's allocation for 2024/25 will be reduced by R2 billion to R64 billion should it fail to dispose of the Eskom Finance Company by 31 March 2025.

In April 2024, the Eskom Debt Relief Act (2023) was amended to ensure that the loan granted under the debt-relief arrangement is correctly classified and that market-related interest is charged. Additionally, in June 2024 the National Treasury disbursed an R8 billion interest-bearing loan as part of the debt-relief allocation for 2024/25. As of 27 September 2024, Eskom had paid R91 million in interest to the National Treasury for the debt-relief loans. The National Treasury is now working with Eskom to finalise government's takeover of R70 billion of Eskom's loan portfolio by 2025/26.

The Land Bank

The Land Bank has remained in default on its debt obligations since April 2020. On 9 September 2024, the Land Bank reported that an agreement has been reached with all lenders up to September 2028 to cure the default, with the goal of operating as a normal business and growing its loan book. This requires the Land Bank to improve the quality of its lending, strengthen organisational capacity and scale up its developmental lending in a financially sustainable manner.

Transnet

Transnet's poor performance over the past five years has been characterised by declining freight volumes, underinvestment, inadequate maintenance and shortages of rolling stock, resulting in deteriorating financial performance and a weak balance sheet. The company continues to face significant operational difficulties, with marginal improvements reported since the implementation of the recovery plan in the last quarter of 2023/24. The plan includes an aggressive strategy to curtail declining rail volumes and return operations to financially sustainable levels.

Although Transnet can access capital markets, its ability to raise more funding is constrained by accumulated debt levels. These in turn have led to unsustainable interest costs and refinancing risk, resulting in liquidity pressures. Optimising the entity's capital structure and returning it to profitability will require Transnet to shed non-core assets, reduce its current cost structure and explore alternative funding models for infrastructure and maintenance, such as project finance, third-party access, concessions and joint ventures.

In December 2023, government granted Transnet a R47 billion guarantee facility to secure new funding to implement its recovery plan in line with the Cabinet-approved Roadmap for Freight Logistics. To effect the roadmap, Transnet is working with the National Logistics Crisis Committee, composed of government departments, rail and port users, and independent experts. Key areas identified to improve operational performance in the short term include accelerating capital spending on operational equipment, allocating capital for the rehabilitation of rail infrastructure and returning old locomotives to service.

South African National Roads Agency Limited

The halt in toll collections on Phase 1 of the Gauteng Freeway Improvement Programme put the South African National Roads Agency Limited (SANRAL) under significant fiscal pressure. To mitigate these pressures, national government and Gauteng Province took over R47 billion of the agency's outstanding liabilities. In 2024/25 and over the medium term, Gauteng's contribution will amount to R13.1 billion, while national government will provide R4.4 billion, with further commitments beyond this period. Gauteng has also agreed to pay R4.1 billion for the maintenance backlog. These measures should bolster SANRAL's ability to enhance, rehabilitate and expand the toll road network, ensuring its long-term sustainability and capacity to meet growing infrastructure demands.

Road Accident Fund

The Road Accident Fund (RAF) is a significant fiscal risk. Provisions, which account for the bulk of the RAF's liabilities, are expected to grow from R352.8 billion in 2023/24 to R422.6 billion in 2027/28. Although revenue from the RAF levy is projected to increase from R49.1 billion in 2023/24 to R67.6 billion in 2027/28, the Fund's financial position is set to deteriorate over this period. Expenditure is anticipated to rise from R49.5 billion in 2023/24 to R89.7 billion in 2027/28, largely due to an increase in settled claims driven by the Fund's improved operational efficiencies and a growing number of claims requested but not yet paid. Furthermore, the number of future claims is expected to grow as more are lodged based on past accidents, further increasing projected payouts.

LONG-TERM SUSTAINABILITY

Demographic and productivity trends are critical to assess government's ability to sustain its long-term social commitments. Population growth for this decade is estimated to range between 1 per cent and 1.3 per cent. Labour productivity growth, which averaged 2.7 per cent annually before 2008/09, slowed to about 0.8 per cent following the COVID-19 pandemic. In combination, such long-term shifts will have consequences for economic growth, tax revenue, public healthcare and old-age services. Analysing these trends requires accurate data. A comprehensive update on the long-term fiscal model will be published once more refined data and projections from the 2022 Census is made available.

CONCLUSION

The public finances remain exposed to various domestic and external risks. The fiscal strategy set out in the 2024 MTBPS enables government to gradually strengthen fiscal buffers to mitigate the risks highlighted in this annexure. Sustained fiscal discipline across the public sector – alongside faster economic growth – is essential to effectively manage and reduce these vulnerabilities.

B

2024 MTBPS

COMPENSATION AND EMPLOYMENT DATA

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

INTRODUCTION

This annexure provides a broad analysis of public-service remuneration and employment trends, examining the decisions that have influenced the current structure of the wage bill and employment levels. It highlights how past policy choices, economic conditions and labour market dynamics have shaped the public-service workforce composition and compensation practices.

Figure B.1 reflects trends in compensation of employees as a percentage of GDP and consolidated government expenditure since 1994/95. Over the past 30 years, the public-service wage bill has increased as a share of GDP from 5.6 per cent in 1994/95 to 10.4 per cent in 2023/24. This is largely as a result of the fast-growing average remuneration costs of public-service employees over the past three decades.

Figure B.1 Public-service wage bill

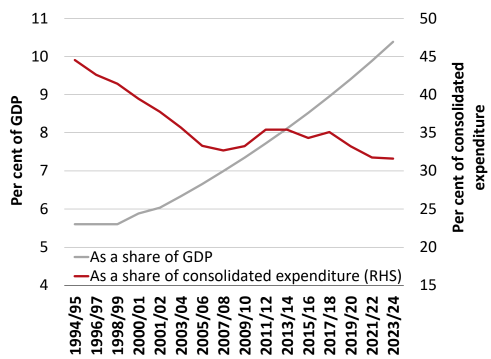
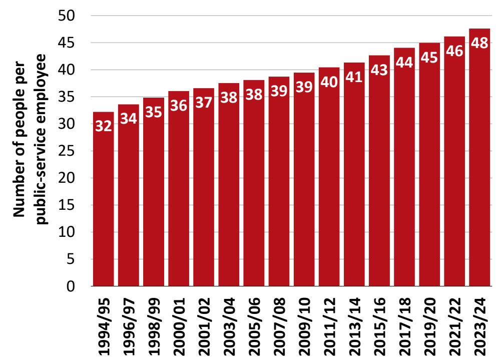


Figure B.2 Number of people per public-service employee



Source: National Treasury

Figure B.2 reflects the increasing burden on public-service employees over time. The ratio of the number of people serviced per public-service employee increased from 32 to 48 between 1994/95 and 2023/24. As the demand for services such as healthcare, education, social welfare and security increases, it adds pressure on the limited number of public-service workers.

Consequently, as part of the strategy to attract and retain skilled professionals in the public sector, government has over the past 30 years reformed public-service remuneration structures and offerings. This was done mainly through higher wages as well as numerous benefits and allowances. However, these higher average remuneration costs have become more expensive over time, hindering government's ability to effectively grow the public-service headcount due to affordability constraints. In response to the increased demand for public services coupled with headcount growth challenges, government has been allocating additional funding to key sectors such as education, health and the security cluster since the 2022 medium-term expenditure framework (MTEF). Further details can be found in Table B.1.

Figure B.3 and Figure B.4 reflect the number of professionals in relation to the population as well as the public-service headcount growth by sector between 2014/15 and 2023/24 respectively.

Figure B.3 Average number of professionals per population

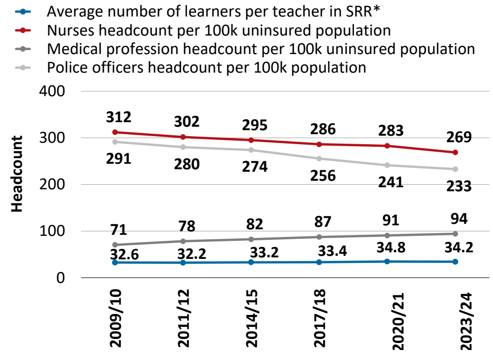
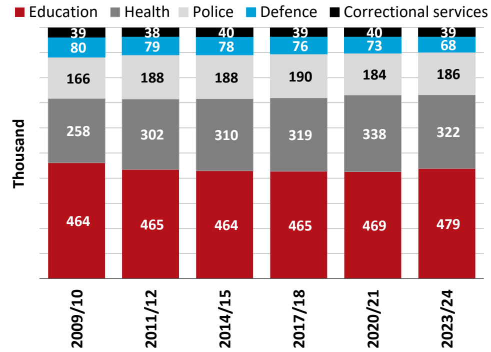


Figure B.4 Headcounts by sector



**School Realities Report*

Source: Department of Basic Education and 2022 Census

COMPARISON WITH THE TOTAL NATIONAL MONTHLY EARNINGS

Historically, public-service wages in South Africa have been relatively high compared to the national average (non-agricultural formal sector). This wage disparity has been driven by a range of factors, including the introduction of occupation-specific dispensations (OSDs) in the public sector in 2007 to retain skilled professionals through competitive salaries, allowances, benefits and other progression opportunities. Furthermore, the median public-service average monthly earnings have exceeded those of the national average monthly earnings by at least 50 per cent since 2019.

Figure B.5 shows the share of public-service employment in comparison to total national employment. Public-service employees accounted for about 12.6 per cent on average of total national employment between 2019 and 2024.

Figure B.5 Distribution of employment

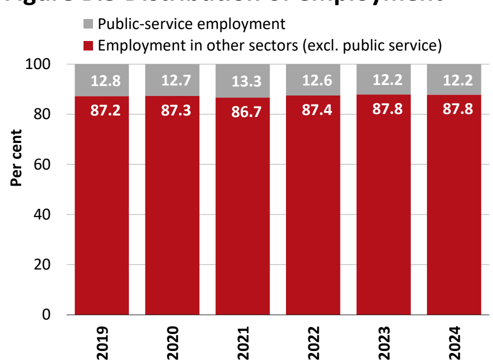
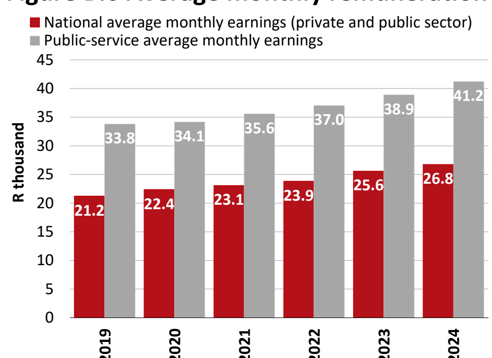


Figure B.6 Average monthly remuneration



Source: Quarterly Employment Statistics

DRIVERS OF AVERAGE REMUNERATION COST

The average remuneration cost per public-service employee refers to the total cost that the employer incurs on average for compensating a single employee. It includes employee salaries and diverse benefits, such as pensions, medical and housing subsidies, bonuses and other forms of compensation. Various policies and reforms have contributed to the increase in average remuneration costs, as discussed below.

The impact of OSDs

Following the 2008 global financial crisis, government faced increased fiscal pressure as revenues declined due to slower economic growth. During this period, OSDs were implemented in the public sector to curb the exodus of skilled professionals to the private sector or abroad by offering competitive salaries and career progression opportunities. While OSDs were necessary at the time to address wage disparities and retain skilled professionals, they added significant pressure to the public-service wage bill during a time of fiscal strain. The OSDs catalysed the high average remuneration cost in years to come.

Figures B.7 and B.8 show the average remuneration trends of OSD public-service employees relative to non-OSD public-service employees since 2009/10.

Figure B.7 OSD and non-OSD remuneration trends

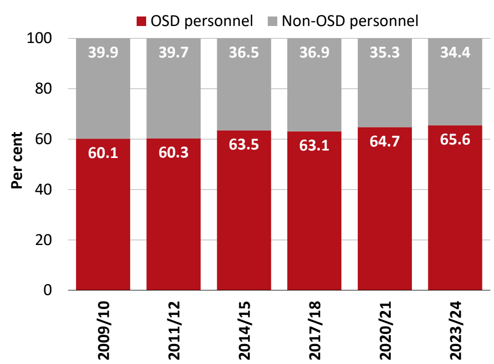
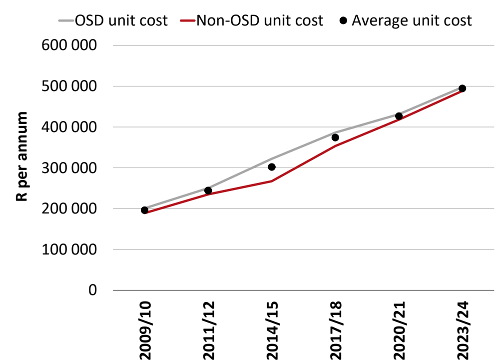


Figure B.8 OSD and non-OSD average unit costs



Source: National Treasury

The impact of other adjustments, allowances and benefits

The cost-of-living adjustments granted to public-service employees are designed to align salaries with inflation, ensuring that their purchasing power is not eroded over time. However, increasing public-service wages compound the financial burden on the state, especially when adjustments exceed inflation rates. Over time, the compounding effect of continuous adjustments has resulted in significant growth in the average remuneration of public-service employees, contributing to a ballooning wage bill that consumes a substantial portion of the national budget.

Public-service employees receive a range of allowances and benefits designed to support their financial well-being and compensate for their various roles in government. These benefits include housing allowances, medical subsidies, danger allowances, clothing (uniform) allowances, pension fund support and many other sector-specific allowances. These allowances and benefits are structured to ensure that public-service employees, especially those in lower income brackets, can maintain a reasonable standard of living. Many of the allowances and benefits are linked to resolutions agreed on in the Public Service Co-ordinating Bargaining Council, which require them to grow in line with the relevant inflation rate every year.

The impact of the permanent conversion of the 2021/22 non-pensionable cash gratuity

During 2021/22, government implemented a once-off cash gratuity for public-service employees as part of its wage negotiations. This measure aimed to provide immediate financial relief amid economic challenges, while avoiding long-term wage commitments during a period of fiscal restraint. The cash gratuity was structured progressively, offering lower-paid public servants a more significant financial benefit. The lowest-earning public servants received an additional R1 220 per month, while those earning closer to the highest non-senior management salaries received R1 695 per month.

The cash gratuity translated into an 18 per cent salary increase for the lowest-earning public-service employees and a 5.5 per cent increase for those at the higher end of the non-senior management scale. This disparity reflects government's intention to cushion the financial burdens on lower-income public-service employees, who are more vulnerable to economic shocks.

In 2023/24, this temporary gratuity was integrated permanently into the salaries of public-service employees. As a result, lower-income employees saw double-digit salary increases, a substantial rise compared to typical wage adjustments.

RESPONDING TO WAGE BILL AND HEADCOUNT GROWTH CHALLENGES

Since the 2022 MTEF period, government has prioritised key services by allocating additional funding to address growing compensation pressures and capacity constraints as well as for wage increases. Additional funding amounting to about R65.8 billion and R87.8 billion was allocated to sectors in basic education, health and the security cluster to address compensation pressures in the 2022 and 2023 MTEF periods respectively. Over the 2024 MTEF period, R145.5 billion has been allocated for wage increases and wage pressures. This funding also includes the reversal of the reductions that were implemented against the wage bill during the 2023 *Medium Term Budget Policy Statement* in labour-intensive departments such as Education, Health, Police, Defence, Correctional Services, Justice and Home Affairs.

Table B.1 shows the total additional funding that has been allocated to the compensation baselines since the 2022 MTEF.

Table B.1 Compensation of employees additional funding to deal with additional headcount and spending pressures

R thousand	2022/23	2023/24	2024/25	2025/26	2026/27	Total over MTEF
	Additional funding allocated					
2022 MTEF	**36 488**	**13 642**	**15 624**	**-**	**-**	**65 755**
Cost-of-living adjustments	**20 512**	**-**	**-**	**-**	**-**	**20 512**
2022/23 wage increase costs (3%)[1]	14 602	-	-	-	-	14 602
Non-pensionable cash gratuity continuation	20 512	-	-	-	-	20 512
Additional funding for capacitation and wage spending pressures	**15 976**	**13 642**	**15 625**	**-**	**-**	**45 243**
Education	8 987	7 615	7 957	-	-	24 559
Health	5 500	3 558	4 178	-	-	13 236
Social security cluster	1 489	2 470	3 489	-	-	7 448
2023 MTEF	**-**	**26 615**	**29 292**	**31 850**	**-**	**87 756**
Cost-of-living adjustment	**-**	**14 973**	**15 198**	**15 426**	**-**	**45 597**
Carry-through of 2022/23 wage agreement (3%)	-	14 873	15 198	15 426	-	45 497
Additional funding for capacitation and wage spending pressures	**-**	**11 642**	**14 094**	**16 424**	**-**	**42 159**
Additional 5000 police trainees per annum	-	14 490	2 792	3 949	-	21 230
Education	-	5 700	6 650	7 600	-	19 950
Health	-	4 452	4 652	4 875	-	13 979
2024 MTEF	**-**	**23 558**	**46 499**	**48 472**	**50 496**	**145 466**
Cost-of-living adjustment	**-**	**23 558**	**46 499**	**48 472**	**50 496**	**145 466**
2023/24 wage increase and carry-through costs (2023 MTBPS)[1]	-	23 558	27 886	29 285	30 710	87 881
Additional funding for 2023 wage agreement (Post 2023 MTBPS)	-	-	18 613	19 187	19 786	57 585
Total additional funding allocated	**36 488**	**63 815**	**91 415**	**80 322**	**50 496**	**298 978**

1. Additional funding allocations for wage increases (excl. carry-through costs) tabled in special/adjusted appropriations
Source: National Treasury

CONCLUSION

Public-service remuneration is a complex issue that requires a delicate balance between attracting and retaining skilled personnel, ensuring fiscal sustainability and promoting economic growth. It will be essential to implement reforms that align public-service compensation with broader economic growth while addressing the pressing issues of growing public-service employment.

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C

2024 MTBPS TECHNICAL ANNEXURE

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

IN-YEAR ADJUSTMENTS TO MAIN BUDGET NON-INTEREST EXPENDITURE

Table C.1 shows in-year adjustments to the main budget non-interest expenditure since the 2024 *Budget Review*.

Table C.1 In-year adjustments to the main budget non-interest expenditure

R million	Appropriation (ENE) 2024 Budget	Adjustments appropriation (AENE)	Revised
Allocated non-interest expenditure	**1 748 214**	**-5 570**	**1 742 643**
Provisional allocations not assigned to votes	570	-570	–
Contingency reserve	5 000	-5 000	–
Upward adjustments		**19 090**	
Rollovers		2 051	
SANDF troop deployment in DRC		2 100	
Unforeseeable and unavoidable expenditure		2 133	
Special appropriation		5 117	
SANRAL GFIP phase 1 debt repayment (national government portion)		*1 215*	
SANRAL GFIP phase 1 debt repayment (provincial government portion) [1]		*3 806*	
International Court of Justice		*96*	
Announced in the 2024 Budget[2]		2 661	
Members' remuneration (Parliament)		221	
Judges' salaries		158	
Self-financing expenditure		2 576	
Skills development levy		-7	
NRF payments		2 080	
Downward adjustments	**–**	**-3 156**	
Declared unspent funds		-242	
National government projected underspending		-914	
Local government repayment to the National Revenue Fund		-2 000	
Main budget non-interest expenditure	**1 753 784**	**10 364**	**1 764 148**
In-year adjustments to the main budget non-interest expenditure since 2024 Budget			10 364

1. Includes R546 million for maintenance backlog
2. Includes increase in COVID-19 SRD grant, SANDF troop deployment in Mozambique, Western Cape Rapid School Build programme baseline allocation and G20
Source: National Treasury

CHANGES TO MAIN BUDGET NON-INTEREST EXPENDITURE FOR THE NEXT TWO YEARS

Table C.2 presents changes to main budget non-interest expenditure since the 2024 Budget for the next two years.

Table C.2 Changes to main budget non-interest expenditure

R million	2025/26	2026/27	Total
Non-interest expenditure (2024 Budget)	**1 840 913**	**1 932 982**	**3 773 895**
Additions to baselines and provisional allocations	**16 824**	**16 793**	**33 616**
Local government elections	–	1 435	1 435
SANRAL GFIP phase 1 debt repayment[1] and maintenance backlog	8 681	4 639	13 320
SARS spending adjustments and further support	500	1 500	2 000
Early retirement costs	4 400	6 600	11 000
SANDF troop deployment in DRC carry-through costs	1 800	1 747	3 547
Other spending additions[2]	1 443	871	2 314
Technical adjustments	**-435**	**-771**	**-1 206**
Revised non-interest expenditure (2024 MTBPS)	**1 857 302**	**1 949 003**	**3 806 305**
Change in non-interest expenditure from 2024 Budget	16 389	16 021	32 410

1. Includes the national government portion of R3.2 billion in 2025/26
2. Includes G20 and ICASA spectrum auction cost in 2025/26, new ministries and deputy ministries carry-through costs and financing of Parliament and Office of Chief Justice funding pressures and the International Court of Justice
Source: National Treasury

MAIN BUDGET EXPENDITURE CEILING

Table C.3 Adjustments to expenditure ceiling

R million	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Non-interest expenditure	**1 619 208**	**1 700 698**	**1 690 809**	**1 764 148**	**1 857 302**	**1 949 003**	**2 036 078**
Technical adjustments							
Skills development levy	-19 012	-20 809	-22 424	-24 493	-26 006	-27 811	-29 773
Eskom funding provisions	-31 693	-21 857	–	–	–	–	–
NRF payments	-2 173	-263	-1 093	-2 080	–	–	–
International Oil Pollution Compensation Fund	-3	-2	-13	-13	-14	-14	-15
Expenditure ceiling	**1 566 327**	**1 657 767**	**1 667 279**	**1 737 561**	**1 831 282**	**1 921 178**	**2 006 290**

Source: National Treasury

Table C.3 shows technical adjustments to the main budget non-interest expenditure to calculate the expenditure ceiling. The ceiling excludes payments directly financed by dedicated revenue sources and others not subject to policy oversight. These include:

- **Payments for financial assets financed by asset sales in the same financial year.** Revenue from the sale of assets, particularly for equity investments, generally offsets the increases in associated spending levels, so these increases do not require adjustments to departmental allocations. Financial support for Eskom is not included in the expenditure ceiling. This support is viewed as a balance sheet transaction.
- **Payment transactions linked to the management of debt.** These include premiums paid on new loan issues, bond switches and buy-back transactions, revaluation profits or losses on government's foreign exchange deposits at the Reserve Bank when used to meet government's foreign-currency position commitments and realised profits and losses on the Gold and Foreign Exchange Contingency Reserve Account. These items relate to debt and currency transactions not financed through main budget appropriations.

- **Direct charges related to specific payments made in terms of legislation that provides for the collection and transfer of such receipts outside of the main budget.** These include skills development levy contributions and the International Oil Pollution Compensation Fund. Skills development levy contributions are paid to the National Skills Fund and the sector education and training authorities. The payment schedule to the National Skills Fund is generally revised to align it directly with anticipated receipts from the levy.

Table C.4 Main budget expenditure ceiling[1]

R million	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
2022 MTBPS	1 566 490	1 667 118	1 665 349	1 744 762	1 832 678		
2023 Budget Review	1 566 498	1 653 459	1 671 030	1 750 276	1 842 572		
2023 MTBPS	1 566 327	1 657 767	1 667 370	1 713 335	1 795 241	1 884 736	
2024 Budget Review	1 566 327	1 657 767	1 664 709	1 729 270	1 814 458	1 904 385	
2024 MTBPS	**1 566 327**	**1 657 767**	**1 667 279**	**1 737 561**	**1 831 282**	**1 921 178**	**2 006 290**

1. The expenditure ceiling differs from main budget non-interest expenditure
Source: National Treasury

REVISIONS TO MAIN BUDGET REVENUE ESTIMATES

Table C.5 shows revisions to the main budget revenue estimates since the 2024 Budget.

Table C.5 Revisions to main budget revenue estimates

	2024/25		2025/26		2026/27	
R billion	2024 MTBPS	Deviation from the 2024 Budget	2024 MTBPS	Deviation from the 2024 Budget	2024 MTBPS	Deviation from the 2024 Budget
Revenue						
Gross tax revenue	1 840.8	-22.3	1 971.8	-19.4	2 111.1	-21.9
Non-tax revenue	36.0	1.4	34.0	1.1	33.2	0.9
SACU[1]	-89.9	-0.0	-73.5	3.7	-75.5	4.2
National Revenue Fund receipts	10.5	3.2	0.4	-0.2	0.8	0.4
Main budget revenue	**1 797.4**	**-17.7**	**1 932.6**	**-14.8**	**2 069.6**	**-16.4**

1. Southern African Customs Union. Amounts made up of payments and other adjustments
Source: National Treasury

CHANGES TO THE MAIN BUDGET FRAMEWORK SINCE THE 2024 BUDGET

Table C.6 summarises the changes to the main budget fiscal framework compared with the 2024 Budget estimates. The budget balances for 2024/25 to 2026/27 have worsened, mainly due to lower-than-expected revenue projections and higher non-interest expenditure and debt-service costs.

Table C.6 Revisions to main budget framework since 2024 Budget

R million	2024/25	2025/26	2026/27
Main budget revenue			
Revised	1 797 368	1 932 639	2 069 578
2024 Budget estimates	1 815 020	1 947 425	2 086 004
Difference	**-17 652**	**-14 786**	**-16 426**
Main budget non-interest expenditure			
Revised	1 764 148	1 857 302	1 949 003
2024 Budget estimates	1 753 784	1 840 913	1 932 982
Difference	**10 364**	**16 389**	**16 021**
Debt-service costs			
Revised	388 854	419 112	445 742
2024 Budget estimates	382 183	414 664	440 240
Difference	**6 671**	**4 449**	**5 502**
Main budget primary balance			
Revised	33 220	75 337	120 574
2024 Budget estimates	61 237	106 512	153 022
Difference	**-28 016**	**-31 175**	**-32 448**
Main budget balance			
Revised	-355 634	-343 775	-325 168
2024 Budget estimates	-320 946	-308 151	-287 218
Difference	**-34 688**	**-35 624**	**-37 950**

Source: National Treasury

MAIN BUDGET FRAMEWORK AND FINANCING REQUIREMENTS

Table C.7 indicates government’s financing gap. A detailed discussion of the main budget framework and financing requirements is in Chapter 3.

Table C.7 Main budget framework and financing requirements

Macroeconomic projections R billion/percentage change	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Real GDP growth	6.2%	1.4%	0.7%	1.4%	1.6%	1.8%	1.9%
Nominal GDP growth	12.6%	6.9%	4.9%	6.1%	6.5%	6.5%	6.6%
CPI inflation	5.2%	7.2%	5.5%	4.3%	4.5%	4.5%	4.5%
GDP at current prices (R billion)	**6 325.6**	**6 763.5**	**7 094.8**	**7 524.1**	**8 014.4**	**8 532.2**	**9 091.9**
Main budget framework R billion/percentage of GDP	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Revenue							
Personal income tax	554.0	600.4	648.9	729.0	774.6	825.8	884.3
Corporate income tax	320.4	344.7	313.1	314.4	342.0	377.0	403.6
Value-added tax	390.9	422.4	447.6	463.8	490.7	519.9	553.2
Other tax revenue	186.0	184.6	199.9	195.3	216.3	230.3	245.1
Customs and excise duties	112.4	134.6	131.4	138.3	148.2	158.2	169.0
SACU transfers	-46.0	-43.7	-79.8	-89.9	-73.5	-75.5	-86.4
Non-tax revenue	40.4	51.0	43.9	36.0	34.0	33.2	33.4
National Revenue Fund receipts[1]	6.1	5.2	19.0	10.5	0.4	0.8	0.6
Main budget revenue	**1 564.3**	**1 699.2**	**1 724.0**	**1 797.4**	**1 932.6**	**2 069.6**	**2 202.8**
	24.7%	*25.1%*	*24.3%*	*23.9%*	*24.1%*	*24.3%*	*24.2%*
Expenditure							
Expenditure ceiling	1 566.3	1 657.8	1 667.3	1 737.6	1 831.3	1 921.2	2 006.3
Baseline and provisional allocations	*1 566.3*	*1 657.8*	*1 667.3*	*1 737.6*	*1 823.7*	*1 906.7*	*1 985.5*
Contingency reserve	–	–	–	–	*7.6*	*14.5*	*20.8*
Other non-interest expenditure[2]	52.9	42.9	23.5	26.6	26.0	27.8	29.8
Non-interest expenditure	**1 619.2**	**1 700.7**	**1 690.8**	**1 764.1**	**1 857.3**	**1 949.0**	**2 036.1**
Debt-service costs	268.1	308.5	356.1	388.9	419.1	445.7	475.7
Main budget expenditure	**1 887.3**	**2 009.2**	**2 046.9**	**2 153.0**	**2 276.4**	**2 394.7**	**2 511.8**
	29.8%	*29.7%*	*28.9%*	*28.6%*	*28.4%*	*28.1%*	*27.6%*
Main budget balance	**-323.0**	**-309.9**	**-322.9**	**-355.6**	**-343.8**	**-325.2**	**-309.0**
	-5.1%	*-4.6%*	*-4.6%*	*-4.7%*	*-4.3%*	*-3.8%*	*-3.4%*
Primary balance	**-54.9**	**-1.5**	**33.2**	**33.2**	**75.3**	**120.6**	**166.7**
	-0.9%	*-0.0%*	*0.5%*	*0.4%*	*0.9%*	*1.4%*	*1.8%*
Borrowing requirement							
Main budget balance	-323.0	-309.9	-322.9	-355.6	-343.8	-325.2	-309.0
Redemptions	-65.3	-90.3	-144.4	-105.0	-173.7	-154.8	-306.0
Eskom debt-relief arrangement	–	–	-76.0	-64.2	-110.2	–	–
GFECRA settlement (net)	–	–	–	100.0	25.0	25.0	–
Gross borrowing requirement	**-388.3**	**-400.3**	**-543.3**	**-424.7**	**-602.7**	**-455.0**	**-614.9**
	-6.1%	*-5.9%*	*-7.7%*	*-5.6%*	*-7.5%*	*-5.3%*	*-6.8%*
Government debt							
Gross loan debt	**4 277.5**	**4 765.4**	**5 259.4**	**5 622.5**	**6 054.7**	**6 424.4**	**6 817.5**
	67.6%	*70.5%*	*74.1%*	*74.7%*	*75.5%*	*75.3%*	*75.0%*
Net loan debt	**4 011.1**	**4 516.3**	**5 063.7**	**5 465.6**	**5 958.3**	**6 329.4**	**6 713.7**
	63.4%	*66.8%*	*71.4%*	*72.6%*	*74.3%*	*74.2%*	*73.8%*

1. Mainly revaluation profits on foreign-currency transactions and premiums on loan transactions
2. Technical adjustments explained in Table C.3
Source: National Treasury

TAX REVENUE OUTLOOK

Table C.8 Tax revenue and tax bases

R million/percentage change	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Estimate	Projections		
Personal income tax	**553 951**	**600 367**	**648 911**	**729 002**	**774 639**	**825 764**	**884 311**
Wage bill [1]	*8.0%*	*5.0%*	*5.1%*	*5.5%*	*6.1%*	*6.0%*	*6.4%*
Buoyancy	*1.72*	*1.67*	*1.59*	*2.25*	*1.03*	*1.10*	*1.10*
Corporate income tax	**320 447**	**344 660**	**313 097**	**314 407**	**341 993**	**376 973**	**403 575**
Net operating surplus	*20.4%*	*8.4%*	*2.6%*	*7.0%*	*7.7%*	*7.6%*	*7.1%*
Buoyancy	*2.87*	*0.90*	*-3.48*	*0.06*	*1.13*	*1.35*	*1.00*
Net value-added tax	**390 895**	**422 416**	**447 557**	**463 755**	**490 664**	**519 856**	**553 235**
Household consumption	*13.0%*	*9.4%*	*6.3%*	*6.5%*	*6.2%*	*6.4%*	*6.5%*
Buoyancy	*1.38*	*0.86*	*0.94*	*0.55*	*0.94*	*0.93*	*0.99*
Domestic VAT	**448 760**	**486 437**	**525 446**	**562 770**	**597 436**	**635 516**	**676 725**
Household consumption	*13.0%*	*9.4%*	*6.3%*	*6.5%*	*6.2%*	*6.4%*	*6.5%*
Buoyancy	*1.09*	*0.90*	*1.27*	*1.09*	*1.00*	*1.00*	*1.00*
Import VAT	**204 552**	**254 984**	**265 043**	**266 808**	**288 024**	**308 663**	**330 448**
Nominal imports	*27.1%*	*32.7%*	*2.9%*	*3.8%*	*8.0%*	*7.2%*	*7.1%*
Buoyancy	*0.84*	*0.75*	*1.37*	*0.18*	*1.00*	*1.00*	*1.00*
VAT refunds	**-262 417**	**-319 005**	**-342 933**	**-365 823**	**-394 796**	**-424 322**	**-453 937**
Nominal exports	*27.0%*	*12.0%*	*1.5%*	*3.5%*	*7.9%*	*7.5%*	*7.0%*
Buoyancy	*0.56*	*1.79*	*4.85*	*1.88*	*1.00*	*1.00*	*1.00*
Customs duties	**57 994**	**73 946**	**70 549**	**73 853**	**79 726**	**85 439**	**91 469**
Nominal imports	*27.1%*	*32.7%*	*2.9%*	*3.8%*	*8.0%*	*7.2%*	*7.1%*
Buoyancy	*0.83*	*0.84*	*-1.59*	*1.24*	*1.00*	*1.00*	*1.00*
Specific excise duties	**49 705**	**55 155**	**53 522**	**57 608**	**61 156**	**65 054**	**69 273**
Household consumption	*13.0%*	*9.4%*	*6.3%*	*6.5%*	*6.2%*	*6.4%*	*6.5%*
Buoyancy	*4.14*	*1.17*	*-0.47*	*1.17*	*1.00*	*1.00*	*1.00*
Skills development levy	**19 336**	**20 892**	**22 604**	**24 493**	**26 006**	**27 811**	**29 773**
Private-sector wage bill	*9.9%*	*5.0%*	*5.1%*	*5.6%*	*6.2%*	*6.9%*	*7.1%*
Buoyancy	*5.86*	*1.63*	*1.62*	*1.49*	*1.00*	*1.00*	*1.00*
Fuel levy	**88 889**	**80 473**	**91 508**	**82 368**	**96 256**	**102 475**	**109 197**
Nominal GDP	*12.6%*	*6.9%*	*4.9%*	*6.1%*	*6.5%*	*6.5%*	*6.6%*
Buoyancy	*1.40*	*-1.37*	*2.80*	*-1.65*	*2.59*	*1.00*	*1.00*
Ad valorem excise duties	**4 725**	**5 520**	**7 348**	**6 827**	**7 271**	**7 741**	**8 249**
Nominal GDP	*12.6%*	*6.9%*	*4.9%*	*6.1%*	*6.5%*	*6.5%*	*6.6%*
Buoyancy	*3.13*	*2.43*	*6.76*	*-1.17*	*1.00*	*1.00*	*1.00*
Other [2]	**77 812**	**83 268**	**85 774**	**88 451**	**94 058**	**99 977**	**106 104**
Nominal GDP	*12.6%*	*6.9%*	*4.9%*	*6.1%*	*6.5%*	*6.5%*	*6.6%*
Buoyancy	*2.58*	*1.01*	*0.61*	*0.52*	*0.97*	*0.97*	*0.93*
Gross tax	**1 563 754**	**1 686 697**	**1 740 870**	**1 840 764**	**1 971 768**	**2 111 092**	**2 255 186**
Nominal GDP	*12.6%*	*6.9%*	*4.9%*	*6.1%*	*6.5%*	*6.5%*	*6.6%*
Buoyancy	*1.99*	*1.14*	*0.66*	*0.95*	*1.09*	*1.09*	*1.04*

1. Total remuneration in the formal non-agriculture sector
2. Other includes dividends tax, interest on overdue income tax, taxes on property, air departure tax, electricity levy, plastic bag levy and all other minor taxes
Source: National Treasury

SOUTHERN AFRICAN CUSTOMS UNION REVENUE POOL

Payments to the Southern African Customs Union (SACU) for 2023/24 and 2024/25 remain unchanged from the 2024 Budget estimates. The SACU revenue-sharing formula adjusts for forecast errors with a two-year lag. As a result, the projected 2025/26 SACU payments include the forecast error adjustment for 2023/24 based on the outcomes of the common revenue pool estimates.

Compared with the 2024 Budget, SACU payments projections have been revised down by R3.7 billion in 2025/26 and R4.2 billion in 2026/27. The revisions to SACU payments are mainly due to lower common revenue pool estimates than projected in the 2024 *Budget Review*.

FISCAL FRAMEWORK ASSUMPTIONS FOR LONG-TERM MAIN BUDGET BASELINE

The long-term main budget fiscal framework assumptions that underpin the long-term debt outlook include the following:

- The gap between gross tax and main budget revenue averages 0.57 per cent of GDP per year from 2028/29 onwards.
- In real terms, non-interest expenditure (excluding the Infrastructure Fund) grows by 1.2 per cent per year from 2028/29 onwards.
- The Infrastructure Fund amounts are R13.8 billion in 2024/25, R12.9 billion in 2025/26, R17.4 billion in 2026/27, R22.2 billion in 2027/28 and R23.5 billion in 2028/29. Over a decade from 2019/20, the Infrastructure Fund remains at R100 billion, as announced in the 2019 *Medium Term Budget Policy Statement*.
- Beyond the medium term, real GDP growth averages 2.1 per cent.

2023/24 OUTCOMES AND 2024/25 MID-YEAR ESTIMATES

Table C.9 summarises national and provincial appropriated expenditure outcomes for 2023/24 and estimates for the first half of 2024/25. Tables C.10 and C.11 present additional details.

In 2023/24, national expenditure amounted to R2.05 trillion, which was R2.9 billion lower than the adjusted budget estimate. For the first six months of 2024/25, national departments spent R1.08 trillion or 49.9 per cent of their adjusted budgets. Provinces spent R384.9 billion or 50.6 per cent of their original budgets for the first six months of the fiscal year. Provinces are primarily responsible for delivering social services, including basic education and health. Compensation of employees is the largest spending item in provincial budgets, accounting for 61.2 per cent of spending in the first six months of 2024/25.

Table C.9 National and provincial expenditure outcomes and mid-year estimates

R billion	2023/24			2024/25				
	Adjusted appropriation[1]	Audited outcome	Over(-)/ Under(+)	Main budget	Special appropriation[2]	Adjust-ments appropriation	Adjusted appropriation	Actual spending April to September
National appropriation	**1 065.0**	**1 062.0**	**3.0**	**1 102.8**	**5.1**	**11.3**	**1 119.2**	**565.6**
Direct charges	**984.8**	**984.9**	**-0.1**	**1 027.6**	**–**	**9.1**	**1 036.7**	**510.2**
Debt-service costs	356.1	356.1	0.0	382.2	–	6.7	388.9	190.3
Provincial equitable share	585.1	585.1	–	600.5	–	–	600.5	300.2
Other direct charges	43.6	43.7	-0.1	44.9	–	2.5	47.4	19.7
National votes	**2 049.8**	**2 046.9**	**2.9**	**2 130.4**	**5.1**	**20.4**	**2 155.9**	**1 075.8**
of which:								
Compensation of employees	*190.8*	*194.8*	*-4.0*	*206.5*	*–*	*-0.9*	*205.7*	*102.1*
Goods and services	*79.7*	*76.8*	*2.9*	*78.9*	*0.1*	*5.1*	*84.1*	*39.0*
Transfers and subsidies	*1 403.2*	*1 398.5*	*4.6*	*1 446.3*	*–*	*6.3*	*1 452.6*	*735.2*
Payments for capital assets	*17.2*	*17.2*	*-0.1*	*15.2*	*–*	*1.1*	*16.3*	*7.6*
Payments for financial assets	*2.6*	*3.1*	*-0.5*	*1.1*	*5.0*	*2.0*	*8.1*	*1.6*
Provisional allocations not assigned to votes	–	–	–	0.6	–	-0.6	–	–
Contingency reserve	–	–	–	5.0	–	-5.0	–	–
National government projected underspending	-3.1	–	-3.1	–	–	-0.9	-0.9	–
Local government repayment to the National Revenue Fund	-2.5	–	-2.5	–	–	-2.0	-2.0	–
Main budget expenditure	**2 044.2**	**2 046.9**	**-2.7**	**2 136.0**	**5.1**	**11.9**	**2 153.0**	**1 075.8**
Provincial expenditure[3]	**747.4**	**741.3**	**6.0**	**760.1**				**384.9**
of which:								
Compensation of employees	*450.6*	*450.5*	*0.1*	*471.7*	*n/a*	*n/a*	*n/a*	*235.5*
Goods and services	*161.0*	*159.1*	*1.9*	*156.4*	*n/a*	*n/a*	*n/a*	*83.4*
Transfers and subsidies	*95.7*	*93.9*	*1.8*	*90.8*	*n/a*	*n/a*	*n/a*	*48.1*
Payments for capital assets	*40.0*	*37.3*	*2.7*	*41.1*	*n/a*	*n/a*	*n/a*	*17.9*

1. The 2023/24 adjusted appropriation includes allocations made in the Second Adjustments Appropriation Act (2024)
2. Special Appropriation Bill, 2024
3. Provinces will table an adjusted budget during November 2024
Source: National Treasury

Table C.10 Expenditure by vote

R million	2023/24			2024/25				
	Adjusted appropria-tion[1]	Audited outcome	Over(-)/ Under(+)	Main budget	Special appropria-tion[3]	Adjust -ments appropria-tion	Adjusted appropria-tion	Actual spending April to September
1 The Presidency	676	662	14	604	17	8	630	323
2 Parliament[2]	3 209	3 209	–	2 771	–	–	2 771	–
3 Cooperative Governance	119 974	116 800	3 174	125 183	–	713	125 896	51 824
4 Government Communication and Information System	744	738	5	740	–	21	761	350
5 Home Affairs	12 380	12 379	1	10 495	–	1 600	12 095	6 923
6 International Relations and Cooperation	6 911	7 268	-358	6 566	40	475	7 081	3 629
7 National School of Government	221	218	3	219	–	–	219	110
8 National Treasury	34 350	34 075	275	33 222	–	115	33 337	16 034
9 Planning, Monitoring and Evaluation	465	438	28	450	–	–	450	195
10 Public Enterprises	275	258	17	296	–	–	296	116
11 Public Service and Administration	542	508	34	540	–	–	540	244
12 Public Service Commission	301	299	1	288	–	–	288	150
13 Public Works and Infrastructure	8 406	8 304	102	7 612	–	–	7 612	4 269
14 Statistics South Africa	2 643	2 724	-81	2 646	–	–	2 646	1 318
15 Traditional Affairs	193	187	6	187	–	–	187	91
16 Basic Education	30 029	29 961	67	32 259	–	377	32 635	19 175
17 Higher Education[4]	107 830	107 713	117	113 015	–	-242	112 773	79 694
18 Health	58 550	58 312	238	62 219	–	7	62 225	30 718
19 Social Development	260 894	259 300	1 594	275 141	–	3 155	278 296	138 648
20 Women, Youth and Persons with Disabilities	1 007	992	15	1 008	–	13	1 021	669
21 Civilian Secretariat for the Police Service	154	150	4	156	–	–	156	77
22 Correctional Services	26 571	27 185	-614	27 758	–	1	27 759	14 650
23 Defence	52 468	55 842	-3 374	51 810	–	3 673	55 484	27 232
24 Independent Police Investigative Directorate	364	364	0	371	–	–	371	182
25 Justice and Constitutional Development	20 558	20 850	-291	21 612	38	–	21 650	10 755
26 Military Veterans	846	586	260	864	–	-51	812	278
27 Office of the Chief Justice	1 340	1 339	0	1 222	–	51	1 274	774
28 Police	105 476	105 476	0	113 597	–	26	113 624	57 338
29 Agriculture, Land Reform and Rural Development	16 758	16 714	43	16 708	–	290	16 998	7 284
30 Communications and Digital Technologies	3 312	3 280	33	3 969	–	–	3 969	1 394
31 Employment and Labour	4 017	3 996	21	3 855	–	–	3 855	1 817
32 Forestry, Fisheries and the Environment	9 539	9 469	70	8 741	–	23	8 764	4 415
33 Human Settlements	31 758	31 227	531	33 146	–	535	33 680	14 505
34 Mineral Resources and Energy	10 271	9 881	391	8 839	–	42	8 881	4 282
35 Science, Technology and Innovation[5]	10 563	10 472	91	9 468	–	-27	9 441	4 391
36 Small Business Development	2 529	2 485	44	2 437	–	-17	2 420	1 626
37 Sport, Arts and Culture	6 089	6 065	24	6 106	–	–	6 106	2 933
38 Tourism	2 461	2 372	88	2 381	–	–	2 381	1 439
39 Trade, Industry and Competition	10 710	10 658	51	9 600	–	67	9 668	4 745
40 Transport	78 282	77 959	323	80 621	5 021	650	86 292	39 923
41 Water and Sanitation	21 376	21 332	44	24 075	–	-225	23 850	11 118
Total appropriation by vote	**1 065 042**	**1 062 049**	**2 993**	**1 102 798**	**5 117**	**11 280**	**1 119 194**	**565 639**

Table C.10 Expenditure by vote *(continued)*

R million	2023/24 Adjusted appropria-tion[1]	2023/24 Audited outcome	2023/24 Over(-)/ Under(+)	2024/25 Main budget	2024/25 Special appropria-tion[3]	2024/25 Adjust-ments appropria-tion	2024/25 Adjusted appropria-tion	2024/25 Actual spending April to September
Total appropriation by vote	**1 065 042**	**1 062 049**	**2 993**	**1 102 798**	**5 117**	**11 280**	**1 119 194**	**565 639**
Plus:								
Direct charges against the National Revenue Fund								
President and deputy president salaries (The Presidency)	14	12	2	8	–	–	8	3
Members' remuneration (Parliament)	472	543	-71	493	–	221	714	–
Debt-service costs (National Treasury)	356 141	356 110	31	382 183	–	6 671	388 854	190 270
Provincial equitable share (National Treasury)	585 086	585 086	–	600 476	–	–	600 476	300 238
General fuel levy sharing with metropolitan municipalities (National Treasury)	15 433	15 433	–	16 127	–	–	16 127	5 376
National Revenue Fund payments (National Treasury)	646	1 093	-447	–	–	2 080	2 080	666
Auditor-General of South Africa (National Treasury)	123	123	-0	129	–	–	129	129
Section 70 of the Public Finance Management Act (1999) payment: Land and Agricultural Development Bank of SA (National Treasury)	502	500	2	–	–	–	–	–
Skills levy and sector education and training authorities (Higher Education)	22 713	22 424	288	24 500	–	-7	24 493	11 728
Magistrates' salaries (Justice and Constitutional Development)	2 399	2 319	80	2 496	–	–	2 496	1 144
Judges' salaries (Office of the Chief Justice)	1 239	1 219	20	1 175	–	158	1 333	623
International Oil Pollution Compensation Fund (Transport)	13	8	5	13	–	–	13	–
Total direct charges against the National Revenue Fund	**984 780**	**984 870**	**-90**	**1 027 599**	**–**	**9 123**	**1 036 722**	**510 175**
Provisional allocations not assigned to votes	–	–	–	570	–	-570	–	–
Contingency reserve	–	–	–	5 000	–	-5 000	–	–
National government projected underspending	-3 100	–	-3 100	–	–	-914	-914	–
Local government repayment to the National Revenue Fund	-2 500	–	-2 500	–	–	-2 000	-2 000	–
Total	**2 044 222**	**2 046 919**	**-2 697**	**2 135 967**	**5 117**	**11 919**	**2 153 002**	**1 075 814**

1. The 2023/24 adjusted appropriation includes allocations made in the Second Adjustments Appropriation Act (2024)
2. Amendments to Parliament's budget are determined independently of the national government's budget processes in accordance with the Financial Management of Parliament and Provincial Legislatures Act (2009), as amended
3. Special Appropriation Bill, 2024
4. Formerly Higher Education and Training. The name of the department was amended in terms of proclamation 188 of 2024 published in the Government Gazette on 27 September 2024. The amendment takes effect from the date on which the Adjustments Appropriation Act (2024) is published
5. Formerly Science and Innovation. The name of the department was amended in terms of proclamation 188 of 2024 published in the Government Gazette on 27 September 2024. The amendment takes effect from the date on which the Adjustments Appropriation Act (2024) is published
Source: National Treasury

Table C.11 Expenditure by province

R million	2023/24					2024/25	
	Main budget	Adjusted budget	Audited outcome	Over(-)/ Under(+)	Deviation from adjusted budget	Main budget	Actual spending April to September
Eastern Cape	**91 620**	**92 478**	**91 936**	**542**	**0.6%**	**95 400**	**49 305**
Education	41 128	41 190	41 047	143	0.3%	42 441	21 435
Health	28 139	29 117	29 127	-10	-0.0%	30 107	16 203
Social development	2 834	2 859	2 850	9	0.3%	2 972	1 517
Other functions	19 519	19 311	18 911	400	2.1%	19 880	10 150
Free State	**41 727**	**43 059**	**42 849**	**210**	**0.5%**	**43 741**	**22 118**
Education	17 558	18 231	18 386	-155	-0.9%	17 895	9 524
Health	12 759	13 081	13 016	64	0.5%	13 718	6 901
Social development	1 186	1 209	1 208	1	0.1%	1 305	619
Other functions	10 224	10 538	10 239	300	2.8%	10 823	5 074
Gauteng	**158 945**	**163 496**	**160 113**	**3 383**	**2.1%**	**165 813**	**86 324**
Education	63 422	63 360	63 147	213	0.3%	65 843	33 669
Health	60 094	62 502	61 314	1 189	1.9%	64 837	35 218
Social development	5 551	5 619	5 064	555	9.9%	5 466	2 757
Other functions	29 879	32 015	30 589	1 426	4.5%	29 667	14 680
KwaZulu-Natal	**146 041**	**150 096**	**150 936**	**-840**	**-0.6%**	**150 488**	**77 387**
Education	60 637	62 852	62 915	-63	-0.1%	62 989	31 647
Health	50 688	51 780	52 934	-1 154	-2.2%	53 797	28 300
Social development	3 260	3 296	3 296	0	0.0%	3 412	1 728
Other functions	31 456	32 168	31 791	377	1.2%	30 291	15 712
Limpopo	**79 163**	**81 633**	**80 865**	**768**	**0.9%**	**83 111**	**39 848**
Education	38 188	39 037	38 638	399	1.0%	40 029	19 002
Health	23 772	24 602	24 589	13	0.1%	24 639	11 574
Social development	1 946	2 036	2 007	28	1.4%	2 077	977
Other functions	15 257	15 959	15 631	328	2.1%	16 365	8 294
Mpumalanga	**58 708**	**60 012**	**59 618**	**394**	**0.7%**	**61 608**	**30 488**
Education	24 921	25 307	25 156	151	0.6%	26 369	12 893
Health	17 305	17 784	17 667	117	0.7%	18 697	9 109
Social development	1 676	1 705	1 703	2	0.1%	1 715	918
Other functions	14 806	15 216	15 092	124	0.8%	14 827	7 569
Northern Cape	**20 806**	**22 061**	**21 732**	**330**	**1.5%**	**22 161**	**11 560**
Education	8 067	8 609	8 609	0	0.0%	8 112	4 455
Health	6 109	6 410	6 397	13	0.2%	6 442	3 708
Social development	946	965	942	23	2.4%	978	455
Other functions	5 684	6 078	5 784	294	4.8%	6 628	2 941
North West	**50 856**	**52 716**	**52 204**	**512**	**1.0%**	**53 700**	**27 819**
Education	20 576	21 485	21 493	-7	-0.0%	21 932	10 839
Health	15 220	15 831	15 893	-62	-0.4%	16 522	9 023
Social development	1 713	1 743	1 728	15	0.9%	1 811	910
Other functions	13 348	13 657	13 091	566	4.1%	13 436	7 048
Western Cape	**80 372**	**81 831**	**81 082**	**748**	**0.9%**	**84 060**	**40 092**
Education	29 548	30 384	30 344	40	0.1%	30 850	15 114
Health	28 805	29 736	29 644	92	0.3%	30 489	14 467
Social development	2 461	2 479	2 475	4	0.2%	2 539	1 355
Other functions	19 558	19 232	18 619	612	3.2%	20 181	9 155
Total	**728 239**	**747 381**	**741 335**	**6 047**	**0.8%**	**760 082**	**384 941**
Education	304 046	310 454	309 735	719	0.2%	316 462	158 579
Health	242 890	250 843	250 580	263	0.1%	259 248	134 503
Social development	21 572	21 911	21 274	637	2.9%	22 275	11 236
Other functions	159 731	164 174	159 746	4 427	2.7%	162 098	80 623

Source: National Treasury

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2024 MTBPS

GLOSSARY

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Accrued liability	A liability that is not paid in the fiscal year in which it is incurred, and so continues to be owed in the next fiscal year.
Adjustment estimates	Presentation to Parliament of the amendments to be made to the appropriations voted on in the main budget for the fiscal year.
Administered prices	Prices set outside ordinary market processes through administrative decisions by government, a public entity or a regulator.
Appropriation	The approval by Parliament of spending from the National Revenue Fund, or by a provincial legislature from the Provincial Revenue Fund.
Asset price inflation	An increase in the overall price of assets over a specific period of time.
Balance of payments	A summary statement of all the transactions of the residents of a country with the rest of the world over a particular time period.
Baseline	The initial allocations used during the budget process, derived from the previous year's forward estimates.
Blended finance	The combination of public, private, development and multilateral sources of financing to leverage funding for infrastructure projects.
Bond-switch programme	An auction that aims to ease pressure on targeted areas of the redemption profile by exchanging shorter-term debt for longer-term debt.
Budget balance	The difference between expenditure and revenue. If expenditure exceeds revenue, the budget is in deficit. If the reverse is true, the budget is in surplus.
Budget Facility for Infrastructure	A reform to the budget process that establishes specialised structures, procedures and criteria for committing fiscal resources to public infrastructure spending.
Buy-back transaction	A transaction where government buys debt instruments from investors before their redemption date.
Capital erosion	The deterioration of capital due to a lack of investment in the economy.
Capital flight	A large outflow of investments from a country in response to heightened economic, political or policy risk.
Capital flow	A flow of investments in or out of a country.
Concessionary financing	Financing or loans that are extended on terms that are more generous than market loans – for example, lower interest rates or grace periods where there is no repayment.
Conditional grants	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements.
Consolidated government expenditure	Total expenditure by national and provincial government, social security funds and selected public entities, including transfers to municipalities or other entities. See also *main budget expenditure*.
Consumer price index (CPI)	The main measure of inflation, charting changes in the price movements of a basket of consumer goods and services.
Consumption expenditure	Expenditure on goods and services, including salaries, that are consumed within a short period of time – usually a year.
Contingency reserve	An amount set aside, but not allocated in advance, to accommodate changes in the economic environment and to meet unforeseen and unavoidable spending pressures.
Contingent liability	A government obligation, such as a guarantee, that will only result in expenditure if a specific event occurs. See also *government guarantee*.

Core inflation	A measure of the change in consumer price levels that excludes temporary shocks and represents the long-run trend of changes in the price level. See also *headline inflation*.
Countercyclical fiscal policy	Policy that has the opposite effect on economic activity to that caused by the business cycle, such as slowing spending growth in a boom period and accelerating spending in a recession.
Credit rating	An indicator of the risk of default by a borrower or the riskiness of a financial instrument. Rating agencies assign grades signifying the borrower's capacity to meet its financial obligations or the probability that the value of the financial instrument will be realised. See also *rating agency*.
Crowding in	An increase in private investment or consumption as a result of government spending.
Crowding out	A fall in private investment or consumption as a result of increased government spending.
Current account (of the balance of payments)	The difference between total exports and imports, including service payments and receipts, interest, dividends and transfers. This account can be in deficit or surplus. See also *trade balance.*
Current balance	The difference between revenue and current expenditure, which consists of compensation of employees, goods and services, and interest and rent on land.
Debt redemption	Repayment of the principal and any outstanding interest on a bond.
Debt-service cost	The cost of interest on government debt.
Depreciation (capital)	A reduction in the value of fixed capital as a result of wear and tear or redundancy.
Depreciation (exchange rate)	A reduction in the external value of a currency.
Disposable income	Total income less all taxes and employee contributions.
Division of revenue	The allocation of funds between national, provincial and local government as required by the Constitution.
Economic growth	An increase in the total amount of output, income and spending in the economy.
Effective cost of debt	A measure of the cost of debt that includes non-interest costs, such as penalties and upfront payments, which are often applied to distressed borrowers.
El Niño	A surface warming, or above-average sea surface temperatures, in the tropical Pacific Ocean's eastern and central regions.
Emerging-market economies	A name given by international investors to middle-income economies.
Employment tax incentive	An incentive aimed at encouraging the creation of jobs for youth by allowing employers to claim a reduction in the pay-as-you-earn tax an employer is liable to pay to the South African Revenue Service.
Equitable share	The allocation of revenue to national, provincial and local government as required by the Constitution.
Expenditure ceiling	An overall limit on expenditure that enables government to manage departmental spending levels.
External imbalance	An excessively positive or negative current account balance, reflecting an excess or deficit of domestic investment over domestic savings.

Financial account (of the balance of payments)	A statement of all financial transactions between a country and the rest of the world, including portfolio and fixed investment flows, and movements in foreign reserves.
Financial and Fiscal Commission	An independent body established in terms of the Constitution to make recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government.
Financial year	The 12 months according to which companies and organisations budget and account. Government's financial year runs from 1 April to 31 March.
Fiscal consolidation	Measures to narrow a government's budget deficit and stabilise its debt-to-GDP ratio.
Fiscal multiplier	A ratio measuring the extent to which national income changes in response to changes in government spending. For example, a fiscal multiplier of 0.5 implies that national income increases by 50 cents for every R1 of additional government spending.
Fiscal policy	Policy on taxation, spending and borrowing by government.
Fiscal space	Government's ability to provide additional resources in the budget without jeopardising fiscal sustainability.
Flexible exchange rate	Determination of currency exchange rates by market forces.
Floating exchange rate	An exchange rate regime in which the exchange rate of a country can fluctuate in response to movements in the foreign exchange market.
Foreign direct investment	The acquisition of long-term business interests in another country, usually involving management, technology and financial participation.
Full-time equivalent	An indicator measuring the proportion of time for which an employee receives a salary. It enables government to estimate annual personnel costs by aggregating the amount of part-time work to calculate the full-time equivalents. For example, two people working full-time for six months of the year would count as one full-time equivalent.
GDP inflation	A measure of the total increase in prices in the entire economy. Unlike CPI inflation, GDP inflation includes price increases in goods that are exported and intermediate goods such as machines but excludes imported goods.
GDP rebasing	The process of replacing a previous base year used to compile GDP estimates in constant prices (or real/volume terms) with a more recent base year. It is usually done alongside periodic benchmarking and methodological changes that account for changes in the economy, inflation and technological progress. These changes incorporate updated data for more accurate analysis and estimates.
Gini coefficient	A measure that illustrates inequality in the distribution of income. It is expressed as a number between 0 and 1, with 0 representing perfect equality in income and 1 representing perfect inequality.
Global Infrastructure Hub (GI Hub)	An initiative aimed at enhancing collaboration among governments, development agencies and the private sector to support the G20's infrastructure goals.
Gold and foreign exchange account	A Reserve Bank account that reflects its losses and profits on holdings of foreign currency and gold reserves, driven by changes in the exchange rate of the rand to the US dollar and the gold price.
Government guarantee	An assurance made by government to a lender that a financial obligation will be honoured, even if the borrowing government institution is unable to repay the debt. See also *contingent liability*.

Government of National Unity (GNU)	A coalition government formed by multiple political parties to promote stability and consensus. The first GNU was formed following the 1994 elections, with a subsequent GNU established after the 2024 elections.
Green finance taxonomy	An official categorisation or inventory that establishes a minimal list of resources, initiatives and industries that meet the requirements to be labelled as “green” or ecologically friendly.
Gross domestic product (GDP)	A measure of total national output, income and expenditure in the economy.
Gross fixed-capital formation	The addition to a country’s fixed-capital stock over a specific period, before providing for depreciation.
Headline inflation	A measure of the change in the CPI level that includes temporary price shocks to the economy, such as once-off price changes. See also *core inflation*.
Independent power producer	A private-sector business that generates energy for the national grid.
Indirect grant	A grant allowing a national department to perform a function on behalf of a province or municipality. No funds are transferred, but the end product of the grant, such as infrastructure, is generally transferred to the province or municipality.
Inflation	An increase in the general level of prices.
Inflation targeting	A monetary policy framework intended to achieve price stability over a certain period of time. The Reserve Bank and government agree on a target rate or range of inflation to be maintained.
Integrated financial management system (IFMS) project	A project to review, upgrade and integrate government’s financial management information technology systems.
Intergenerational equity	A value based on ensuring that future generations do not have to repay debts taken on today unless they also share in the benefits of assets.
Investment grade	A credit rating which is regarded as carrying minimal risk to the investors.
Labour force participation	The ratio of employed and unemployed workers (the labour force) relative to the working-age population.
Liquidity	The ease with which assets can be bought and sold.
Macroprudential policy	Policy to protect the stability of the financial sector and guard against systemic risk.
Main budget expenditure	National government expenditure and transfers to provincial and local government financed from the National Revenue Fund, excluding revenues and spending related to social security funds, extra-budgetary institutions and provincial own-source revenue. See also *consolidated government expenditure.*
Medico-legal claim	A civil claim of alleged wrongful medical treatment against a health provider.
Medium Term Expenditure Committee (MTEC)	The technical committee responsible for evaluating the medium-term expenditure framework budget submissions of national departments and making recommendations to the Minister of Finance regarding allocations to national departments.
Medium-term expenditure framework (MTEF)	The three-year spending plans of national and provincial governments published at the time of the Budget.
Medium-term strategic framework	The five-year strategy of government coinciding with the electoral term.

Monetary policy	The actions taken by a country's monetary authority (for example, the Reserve Bank), usually focused on money supply and interest rates.
Money supply	The total stock of money in an economy.
National budget	The projected revenue and expenditure flowing through the National Revenue Fund. It does not include spending by provinces or local government from their own revenues.
National Development Plan (NDP)	A national strategy to eliminate poverty and reduce inequality.
National health insurance (NHI)	A healthcare policy that aims to provide access to quality, affordable health services to all South Africans.
National Revenue Fund	The consolidated account of national government into which departmental revenue and all taxes, fees and charges collected by the South African Revenue Service must be paid.
Nominal exchange rate	The current rate of exchange between the rand and foreign currencies.
Nominal wage	The return, or wage, to employees at the current price level.
Non-interest expenditure	Total expenditure by government less debt-service costs.
Occupation-specific dispensation (OSD)	A public-sector initiative aimed at improving government's ability to attract and retain skilled employees in targeted occupations through increased remuneration.
Operation Vulindlela	A joint initiative of the Presidency and the National Treasury to accelerate the implementation of structural reforms and support economic recovery. The unit monitors progress and actively supports implementation. Its aim is to fast-track the implementation of high-impact reforms, addressing obstacles or delays to ensure execution on policy commitments.
Opportunity cost	The cost of an alternative forgone to pursue a certain action.
Payroll tax	Tax that an employer withholds and/or pays on behalf of employees based on their wages or salaries.
Potential growth	The fastest growth that an economy can sustain without increasing inflation.
Primary deficit/surplus	The difference between total revenue and non-interest expenditure. When revenue exceeds non-interest expenditure, there is a surplus.
Primary expenditure	Non-interest expenditure by government.
Primary sector	The agricultural and mining sectors of the economy.
Private-sector credit extension	Credit provided to the private sector by banks. This includes all loans, credit card balances and leases.
Productivity	A measure of the amount of output generated from every unit of input over a period of time. Typically used to measure changes in labour efficiency.
Protectionism	When a country restricts international trade to protect domestic industries.
Public entities	Companies, agencies, funds and accounts that are fully or partly owned by government or public authorities and regulated by law.
Public-private partnership	A contractual arrangement in which a private party performs a government function and assumes the associated risks. In return, the private party receives a fee according to predefined performance criteria.
Public-sector borrowing requirement	The consolidated cash borrowing requirement of general government and non-financial public enterprises.

Purchasing managers' index (PMI)	A composite index measuring the change in manufacturing activity compared with the previous month.
Rating agency	A company that evaluates the ability of countries or other borrowers to honour their debt obligations. Credit ratings are used by international investors as indications of risk. See also *credit rating.*
Real effective exchange rate	A measure of the rate of exchange of the rand relative to a trade-weighted average of South Africa's trading partners' currencies, adjusted for inflation.
Real expenditure	Expenditure measured in constant prices – in other words, adjusted to remove the effects of inflation.
Real interest rate	The level of interest after removing the effects of inflation.
Recapitalisation	Injection of funds into a company or entity to aid liquidity, either as a loan or in return for equity.
Redemption	The return of an investor's principal in a fixed-income security, such as a preferred stock or bond.
Refinancing	The repayment of debt at a scheduled time using the proceeds of new loans.
Repurchase (repo) rate	The interest rate at which the Reserve Bank lends to commercial banks.
Reserves (foreign exchange)	Holdings of foreign exchange, either by the Reserve Bank only or by the Reserve Bank and domestic banking institutions.
Revaluation gain/loss	The difference in value between the original (historical) rate and current rate of an asset, liability or transaction.
Risk premium	A return that compensates for uncertainty.
Rollover	Funds not spent during a given financial year that flow into the following year's budget.
Seasonally adjusted and annualised	The process of removing the seasonal volatility (monthly or quarterly) from a time series. This provides a measure of the underlying trend in the data. Once the rate is annualised, it is expressed as if it were applied over one year.
Social grants	Social benefits available to qualifying individuals, funded wholly or partly by the state.
Southern African Customs Union (SACU) agreement	An agreement that allows for the unrestricted flow of goods and services, and the sharing of customs and excise revenue, between South Africa, Botswana, eSwatini, Lesotho and Namibia.
Southern African Development Community (SADC)	A regional intergovernmental organisation that promotes collaboration, economic integration and technical cooperation throughout Southern Africa.
Sovereign debt	Debt issued by a government.
Special economic zone	A designated area where infrastructure and incentives are provided to clusters of businesses to encourage private investment and employment growth.
Structural reforms	Measures that are put in place to substantially change the economy or the institutional and regulatory framework in which people and businesses operate.
Supply-side constraints	When a country's productive capacity cannot keep up with rising demand.
Switch (auction)	Auctions to exchange bonds to manage refinancing risk or improve tradability.

Tax avoidance	When individuals or businesses legitimately use provisions in the tax law to reduce their tax liability.
Tax buoyancy	The relationship between total tax revenue collections and economic growth. This measure includes the effects of policy changes on revenue. A value above 1 means that revenues are growing faster than the economy; a value below 1 means they are growing below the rate of GDP growth.
Tax evasion	When individuals or businesses illegally reduce their tax liability.
Tax-to-GDP ratio	For public finance comparison purposes, a country's tax burden, or tax-to-GDP ratio, is calculated by taking the total tax payments for a particular fiscal year as a fraction or percentage of the GDP for that year.
Terms of trade	An index measuring the ratio of export prices to import prices.
Trade balance	The monetary record of a country's net imports and exports of physical merchandise. See also *current account.*
Transversal term contract	A fixed-term contract to procure goods or services needed by more than one government department.
Treasury bills	Short-term government debt instruments that yield no interest but are issued at a discount. Maturities vary from one day to 12 months.
Twin deficit	The combination of deficits on the budget and the current account.
Twin peaks	An approach to organising financial sector regulation and supervision involving two regulators. One is responsible for ensuring financial services firms sell their products in an appropriate way. The other is responsible for ensuring financial firms remain financially sound and are generally prudent.
Undercapitalisation	Lack of sufficient funds (capital) to conduct day-to-day operations.
Unit labour costs	The cost of labour per unit of output, calculated by dividing average wages by productivity (output per worker per hour).
Unsecured lending	A loan that is not backed or secured by any type of collateral to reduce the lender's risk.
Yield	A financial return or interest paid to buyers of government bonds. The yield, or rate of return, on bonds includes the total annual interest payments, the purchase price, the redemption value and the time remaining until maturity.

Medium Term Budget
Policy Statement

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national treasury

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REPUBLIC OF SOUTH AFRICA