



Legislative and Regulatory Report

July 2025

Introduction

- This report examines South Africa's legislative and budgeting cycle in July 2025, highlighting the persistent mismatch between ambitious budget commitments under the Medium-Term Development Plan (MTDP 2024–2029) – formerly the Medium-Term Expenditure Framework (MTSF) and the country's operational delivery capacity.
- It underscores the need for enhanced National Council of Provinces (NCOP) oversight, outcome-based budgeting, and accelerated institutional reform to transform strategic vision into measurable outcomes. Without binding accountability mechanisms, strategic ambition risks remaining rhetorical.

Budgeting for Delivery in a Time of Strain

- Both Houses of Parliament (National Assembly – NA and the NCOP) considered budgeting and delivery mode during the final Budget Vote debates for 2025/26, following delays from mid-May to June.
- The MTDP 2024–2029 lays out three pillars:
 - inclusive growth and jobs;
 - poverty and high cost-of-living reduction; and
 - a capable, ethical developmental state.
- President Cyril Ramaphosa's State of the Nation Address (SONA) in February 2025 set a 3% GDP growth target over the medium-term, yet Statistics South Africa (Stats SA) reported a mere 0.1% q-o-q growth in Q1 2025, with only around 0.8% y-o-y for the quarter.
- Following the budget stalemate between February and July which featured tension over a planned VAT rise, the National Treasury issued a call for USD 500 million in foreign-currency funding facilities by early August, exploring ESG-linked instruments and innovative financing.
- Plenary and committee engagements, even before July, included the NCOP approval of the Fiscal Framework, the Division of Revenue Bill and the Appropriation Bill (late in July), emphasising legal requirements for measurable objectives in each departmental Budget Vote aligned to MTDP goals.



Budget Vote Cycle and Departmental Performance

Timeline and Process

- Formal Budget Vote presentations began on 1 July, extending across department votes and mini-plenaries; the Presidency Vote was on 16 July, with the Presidential reply on 18 July.

Highlights

- While many departments aligned with MTDP priorities, debates revealed coordination fractures, delivery delays, and accountability gaps; especially across spheres of government.

Presidency Vote: Reasserting Coordination



- President Ramaphosa restated MTDP pillars, offering R1 trillion over three years for infrastructure investment (renewables, transport, water), emphasising private-public partnerships (PPPs), rural economic stimulation (including hemp and cannabis commercialisation), and tourism (sector earns over R90 billion annually).
- Core governance platforms - *Operation Vulindlela*, the District Development Model (DDM), and the Presidential Infrastructure Coordinating Commission (PICC) - were pitched as delivery accelerators.
- Opposition parties (such as the EFF and MKP) rejected the vote, citing mismanagement; Ramaphosa defended the Presidency's ethical reform focus and role in coalition stability.
- Parliament now shifts toward Annual Performance Plans (APPs), with quarterly monitoring and mid-year adjustments (October/November). This marks a shift to impact-based governance, but delivery hinges on institutional capability under coalition pressures.

Parliamentary Oversight

Approved Votes

- A total of 41 departmental Budget Votes were passed, including key portfolios. NCOP played a central role in reviewing alignment with MTDP and provincial delivery plans.
- Treasury's vote included support for fiscal reforms (e.g., Targeted and Responsible Savings or TARS system), but the NCOP noted limited provincial reform uptake.
- Votes for SAPS, Justice, Tourism, Human Settlements, Social Development, and Public Works passed, though NCOP raised concerns about under-resourcing, rural court delays, visa/incentive sustainability, and weak performance-linked budgeting.



Rejection of DHET Vote

- On 1 July, for the first time in recent budget cycles, the NCOP rejected the Department of Higher Education & Training vote, driven by allegations against Minister Nkabane. Opposition parties united in dissent – underscoring rising NCOP assertiveness, though the NCOP lacks binding enforcement power to compel change.
- However, after the re-tabling of the Budget Vote, on 23 July 2025, NA approved the final Appropriation Bill for the 2025/26 fiscal year after prolonged coalition negotiations – and NCOP approved it on 30 July.
- The vote followed President Ramaphosa's dismissal of the Minister of Higher Education and Training, Nobuhle Nkabane, under corruption allegations, which enabled the Democratic Alliance (DA) to support the budget.

Economic and Delivery Landscape

Growth Reality

- The economy grew by only 0.1% quarter-on-quarter in Q1 2025, with uneven sectoral performance: agriculture, trade, finance, and transport expanded modestly; mining, manufacturing, construction, and utilities contracted; reflecting infrastructure constraints and logistic inefficiencies.
- Business confidence fell, the PMI remained below growth thresholds, and investment deterioration persisted.

Provincial Delivery Gaps

- Despite national vote approval, provinces and municipalities continue to falter in translating funds into outcomes. Infrastructure constraints, fiscal instability, outdated grant formulas, and demographic misalignment weaken local implementation.

Socio-Economic Warning Signs

- Youth unemployment remains chronically high. Basic service provision, e.g., free water households dropped from 38% in 2014 to ~16% in 2023.
- Municipal fiscal distress is escalating, driven by revenue collection failures and unfunded mandates.

Fiscal Pressures and PBO Insights

- The Parliamentary Budget Office (PBO) identified four systemic pressure points in the 2025 budget framework:
 - a. A R75 billion revenue gap emerged following the cancelled VAT hike due to coalition resistance; PBO recommended progressive tax reforms to avoid further strain on low-income groups.
 - b. A lopsided expenditure structure: ~67% transfers and subsidies, but only ~0.7% capital spending, limiting developmental impact.
 - c. Misaligned division of revenue using outdated census data - distributing ~48% to national, 42% to provinces, 10% to municipalities - compromises spatial equity.
 - d. Weak governance oversight: appropriations are not tied to deliverables, transparency gaps persist regarding SOE bailouts (e.g., Eskom Debt Relief).
- Without constitutional and procedural reforms, especially toward performance-based budgeting and real enforcement, the budget risks remaining legally compliant but substantively ineffective.

Summary Table

Theme	Summary
Budget vs Delivery	MTDP-aligned budgets voted; capacity gaps and coordination failures exposed
Economic Growth	Growth stagnated at 0.1% q-o-q; underperformance across key sectors
NCOP Oversight	Assertive debate but questions linger over effectiveness of mechanisms to enforce accountability
Fiscal Risks	R75 billion gap, low capex share, outdated revenue formula, oversight voids
Institutional Fragility	Weak provincial delivery, municipal instability, execution barriers

Upcoming Legislation Highlighted in Budget Votes

- **The Presidency** – Cybersecurity Bill
- **Water and Sanitation** – Water Services Amendment Bill and National Water Amendment Bill
- **National Treasury** – Conduct of Financial Institutions (COFI) Bill, General Laws Anti-Money Laundering and Combating Terrorism Financing Bill
- **Tourism** – Tourism Amendment Bill
- **Police** – South African Police Amendment Bill and Firearms Control Amendment Bill
- **Land Reform and Rural Development** – Equitable Access to Land Bill and Communal Land Tenure and Administration Bill
- **Trade, Industry and Competition** - Omnibus Bill
- **Employment and Labour** -Employment Services Amendment Bill
- **Small Business Development** – Business Licensing Bill

- **Forestry, Fisheries and the Environment** – Administrative Penalties Bill
- **Higher Education** – Central Application System Bill
- **Justice and Constitutional Development** – Lower Courts Bill, Magistrates bill, Whist-Blower Bill, Protected Disclosures Bill, and Extradition Bill
- **Social Development** – Victim Support Services Bill and Children’s Amendment Bill
- **Mineral Resources and Petroleum Resources** - Petroleum Products and Mineral Resources Development Bill
- **Public Works and Infrastructure** – Infrastructure Development Amendment Bill
- **Agriculture** – Amendments to the Fertilisers, Farm Feeds, Agricultural Remedies and Stock Remedies Act

Other Committee and Oversight Highlights

- Portfolio and Standing Committees actively engaged in public briefings and hearings, including:
 - i. Land Reform committee sessions on Strategic Planning and Office of the Valuer-General South Africa (OVG) mandates.
 - ii. Electricity/Energy Committee’s review of Eskom’s Just Energy Transition (JET) plan.
 - iii. Health Committee public hearings on the Tobacco Products and Electronic Delivery Systems Control Bill.
- The Standing Committee on Finance also held hearings on the Private Members’ South African Reserve Bank Amendment Bill, proposing state-only ownership of the Reserve Bank and ministerial control over board appointments.
- At the Budget Vote of 4 July 2025, the Department of Trade, Industry, and Competition unveiled an Omnibus Bill introducing fast-track licensing (90-day turnaround) for investment-linked projects. Additional reforms target market concentration (steel, poultry, polymers) and merger thresholds, alongside strengthening the Takeover Regulation Panel and establishing multi-level Fusion Centres to cut red tape.

ICT Sector Review

- On 14 July 2025, Communications and Digital Technologies Minister Solly Malatsi announced a forthcoming legislative colloquium to overhaul ICT policy and regulation. The initiative responds to decades of outdated laws affecting entities like the SABC and aims to modernise governance in the digital sector.

Oversight and State–Capture Reform

- On 28 July 2025, the Presidency released its latest quarterly progress report on executive actions following the State Capture Commission. Of 60 action items in the response plan, 48% are complete/substantially complete, 23% on track, and 29% delayed but under attention.
- Other positives to note are:
 - Nearly R11 billion in public funds recovered; major settlements from ABB, McKinsey, and SAP.
 - Institutional reforms include permanent IDAC, intelligence agency restructuring, procurement reform via the Public Procurement Act, and enhanced anti-money-laundering compliance (40% improvement) .

Parliamentary Oversight Enhancements



- National Assembly Speaker, Thoko Didiza, unveiled Parliament’s R 3 million per portfolio committee allocation to improve oversight efficiency, public participation, and processing of legacy panel/capture commissions like the Asmal Report and the High-Level Panel on Fundamental Change.

FINAL OBSERVATIONS

- July 2025 starkly revealed a gap between the GNU’s strategic fiscal ambition and institutional execution.
- While the National Assembly and NCOP upheld MTDP alignment in debate and vote, actual delivery depended on fragile provincial and municipal capacity, limited by oversight gaps and fiscal misalignments.
- NCOP’s initial rejection of DHET Budget Vote set a new precedent – reflective of coalition governance dynamics.
- The PBO’s diagnosis points to the urgent need for reform: capital expenditure uplift, progressive tax measures, updated revenue formulas, and outcome-based budgeting tied to transparent performance metrics.
- Unless institutional capability is matched with binding accountability, and legislative tools are reformed to shift oversight from advisory to enforceable, the MTDP’s transformational promise risks remaining aspirational.

END