



Member of the Executive Council
for Finance
FREE STATE PROVINCE

2025/26 ADJUSTMENT

APPROPRIATION BUDGET SPEECH

Hon. M.K. MAKUME

**MEC FOR FINANCE, ECONOMIC
DEVELOPMENT AND TOURISM**

2 DECEMBER 2025

Hon. Speaker Mr. Mxolisi Dukwana

Hon. Premier Me. Maqueen Letsoha-Mathae

Members of the Executive Council

Members of the Free State Legislature

Executive Mayors, Mayors and Councillors

Acting Director-General of the Province, Heads of Departments, Chief Executive Officers and leaders of our public and private institutions

Communities of the Free State Province

Warm and comradely greetings!

INTRODUCTION

Honourable Speaker, it is an honour to address this august House at a time when our country—and indeed the world—stands at a significant crossroads. The global economy continues to adjust to profound structural shifts; geopolitical tensions are reshaping supply chains; and rapid technological advancements are transforming industries at a pace few could have anticipated a decade ago. Meanwhile, communities across our province continue to confront persistent unemployment, rising living costs, and an increasing demand for improved public services.

Honourable Speaker, allow me to reflect on the work of one of the most influential scholars in public finance and governance, Aaron Wildavsky. His political philosophy of budgeting resonates strongly with the challenges of our time. In an era characterised by fiscal pressures, rising expectations, political polarisation, deepening inequality, and governance constraints, Wildavsky offers both a framework and a caution.

Wildavsky reminds us that budgeting is far more than a mechanical exercise. It is not merely a calculation of revenue and expenditure. Rather, it is democracy in action—where power is contested, values are debated, and choices are made under conditions of scarcity. As he aptly noted, “A budget is a series of attempts to reconcile unlimited

wants with limited means.” From this perspective, budgeting is about power. It is about politics. It is the clearest expression of what a government truly prioritises.

Today, we wish to speak about budgeting in the spirit of Wildavsky— not as a neutral administrative task, but as a deeply political process that shapes the social and economic trajectory of a nation. We do so within the context of our own contemporary realities: how we confront inequality, how we stimulate growth, how we rebuild trust in public institutions, and how we safeguard public finances while responding to the legitimate needs of our citizens.

Amid these realities, one truth remains constant: the fiscal choices we make today will determine the economic opportunities of tomorrow. It is in this context that we wish to emphasise the importance of maintaining a balanced fiscal stance—one that not only stabilises public finances and reduces fiscal and economic risks but also supports meaningful economic growth and protects the most vulnerable members of our society.

This is more than a financial orientation. It is a statement of provincial intent—a roadmap for resilience, shared prosperity, and long-term development.

OVERVIEW OF MACROECONOMIC CONDITIONS AND FORECASTS

Global Macroeconomic Outlook

Honourable Speaker, the world economy has demonstrated stronger-than-expected resilience over the past year, despite continued exposure to significant global shocks. This resilience is indeed encouraging, yet the global outlook remains challenging and uneven. According to the International Monetary Fund’s 2025 projections, global GDP growth is expected to moderate from 3.3 percent in 2024 to 2.8 percent in 2025, before recovering modestly to 3.0 percent in 2026. These subdued growth prospects will be felt across all regions—manifesting in slower economic activity, reduced trade flows, and downward pressure on household incomes. This, in turn, constrains job creation and limits the fiscal space available to governments worldwide.

Honourable Speaker, although inflationary pressures have eased in many countries, inflation remains stubbornly above targeted levels. A troubling development is the increasing adoption of protectionist policies across the globe. These measures continue to sustain inflationary pressures, disrupt supply chains, and delay the full return to price stability—even as headline inflation is expected to moderate over the medium term. These global developments serve as a critical reminder of the uncertain and constrained international economic environment within which the South African economy—and by extension our provincial economy—must operate.

The South African Macroeconomic Outlook

South Africa's most urgent and enduring challenge remains the need to accelerate economic growth at a scale capable of creating jobs and reducing poverty. The structural constraints in our economy, combined with persistent unemployment, demand a concerted and strategic response to stimulate inclusive and sustainable growth.

Honourable Speaker, at the same time, we continue to operate within an increasingly difficult and uncertain global environment. The United States of America—our second-largest trading partner after China—regrettably persists in threatening punitive sanctions against South Africa. These developments, including the introduction of new tariffs, pose significant risks to key export-driven sectors of our economy. Of particular concern are agriculture, automotive manufacturing, and textiles, which play a central role in supporting national output, employment, and competitiveness. While it is noted that approximately 35 per cent of our exports remain exempt from these measures, the overall economic impact is expected to be substantial.

It is against this challenging backdrop, Honourable Speaker, that the National Treasury has projected real GDP growth of 1.2 per cent in 2025. This modest forecast reflects both the external pressures facing the global economy and the domestic constraints that continue to affect our growth trajectory.

Honourable Speaker, in pursuit of stronger and more resilient economic growth, the National Treasury, in partnership with the South African Reserve Bank, has proposed a strategic refinement of our macroeconomic framework. Central to this reform is the recommendation to anchor inflation at 3 per cent, within a one-percentage-point tolerance band. The intention behind this target is to sustainably reduce inflation, thereby creating conditions conducive to lower interest rates.

While we acknowledge, Honourable Speaker, that adopting a lower inflation target may introduce short-term fiscal pressures and make the attainment of certain fiscal objectives more demanding, the long-term benefits far outweigh these transitional costs. Sustained price stability enhances investor confidence, strengthens the resilience of the economy, and contributes to a more favourable environment for long-term planning and development.

These reforms, Honourable Speaker, reaffirm our commitment to macroeconomic stability, inclusive growth, and improved socio-economic outcomes for all South Africans. They signal a forward-looking, evidence-based approach to policymaking that prioritises the best interests of our nation and its people.

Performance of the Free State Economy

The Free State economy has shown a degree of resilience over the past three years. However, this resilience has not translated into the level of growth required to meaningfully reduce the persistently high levels of unemployment and poverty facing our province. Hon. Speaker, real GDP growth in the Free State was approximately 2.0 per cent in 2022, before declining sharply to a mere 0.2 per cent in 2023. Current projections indicate only a modest recovery, with growth forecast at 0.5 per cent in 2024. This subdued performance underscores the fragile nature of our economic recovery.

Agriculture, Hon. Speaker, continues to play a critical role in the provincial economy, contributing about 6 per cent of GDP in 2024. While the sector remains important, our maturing mining industry is facing significant structural and operational challenges, which further constrain overall economic performance.

The services sector, which accounts for approximately 60 per cent of the Free State's GDP, continues to expand at a slow pace. This sluggish growth has limited opportunities for inclusive economic participation, resulting in insufficient job creation and rising costs of living for households across the province.

Hon. Speaker, of particular concern is the decline in the Free State's contribution to the national economy. The province's share of national GDP has fallen from 5.0 per cent in 2021 to 4.8 per cent in 2024, reflecting a gradual erosion of competitiveness relative to faster-growing provinces.

Looking ahead, Hon. Speaker, economic prospects for the Free State will depend on decisive interventions. These include improving electricity reliability, strengthening logistics networks, enhancing municipal governance, and accelerating investment across key sectors. Failure to address these constraints with urgency will entrench a low-growth trajectory, limiting our ability to create jobs and improve living standards for our people.

GOVERNANCE MATTERS

2024/25 Audit Outcomes

Honourable Speaker, I am pleased to report meaningful progress in advancing good governance, accountability, and sound financial management within the provincial sphere of government. For the second consecutive year, all Public Financial Management Act (PFMA) auditees have maintained audit outcomes free from any adverse or disclaimer audit opinions. The Provincial Treasury, Provincial Legislature, and the Housing Fund have once again achieved unqualified audit opinions with no findings—commonly referred to as “clean audits.”

Honourable Speaker, it is particularly noteworthy that the Department of Economic Development and Tourism has become the first service-delivery department in the province to attain a clean audit for the 2024/2025 financial year. This milestone marks a significant step forward in strengthening administrative integrity and performance in departments that directly impact our citizens.

In addition, our two trading entities—Fleet Management and MEDPAS—which previously received qualified audit opinions, have shown commendable improvement by securing unqualified audit opinions with findings. Importantly, there were no regressions whatsoever in the audit outcomes compared to the previous financial year, demonstrating growing stability and discipline in financial management across government institutions.

Furthermore, Honourable Members, nine departments and two public entities achieved unqualified opinions on the reliability and usefulness of their Predetermined Objectives. This represents an 83 per cent improvement from the previous year, when only five departments and one entity reached this standard. These results reflect enhanced performance management, improved planning, and a more consistent alignment between strategic objectives and measurable outcomes.

Honourable Premier, we remain firmly committed to working closely with departments, public entities, and trading entities to further strengthen governance, compliance, and financial management practices. Our collective objective is to ensure even better audit outcomes in the next financial year, thereby reinforcing public confidence in our ability to manage resources responsibly and deliver quality services to the people of the Free State.

Verification of staff establishment/Head counts

The Department of Public Service and Administration has issued a directive requiring all departments and public entities to conduct institutional head counts on or before February 2026 and to submit progress reports in this regard.

Honourable Speaker, in response to this directive, our provincial departments have already commenced internal head-count verification processes aimed at addressing the long-standing risk associated with so-called “ghost workers.” This exercise is essential for strengthening the integrity of our personnel records and ensuring that we maintain an accurate and accountable staff establishment.

Both the Provincial Treasury and the National Treasury remain committed to supporting departments as they implement these head-count processes. This initiative

is a critical component of aligning compensation-of-employees budgets with the approved PERSAL structure, thereby ensuring that workforce planning, budgeting, and decision-making are based on accurate, reliable, and verifiable data.

Honourable Speaker, this is precisely what we have long advocated for—"**Who is Where, and Where is Who**" This principle underpins our commitment to transparency, accountability, and the prudent management of public resources.

2025/26 MID-YEAR FINANCIAL PERFORMANCE REVIEW

Provincial spending

Hon. Members, we are pleased to announce that we have noted some improvements in relation to spending by the departments. As of end of October 2025 the province recorded an expenditure of R27.071 billion, this translates to spending of 59 percent of the allocated budget of R45.856 billion—against the benchmark of 58 percent.

Hon. Speaker, as you may be aware, the budget pressures on compensation of employees are historical and have been exacerbated by the budget cuts and wage agreements. However, we continue with our measures that are meant to curb the growth of salary bill; this includes, amongst others, control of PERSAL activation by the Office of the Premier and Provincial Treasury.

Hon. Members, when we tabled the main budget in May this year, we alluded to the reintroduction of the Early Retirement Programme without penalties for the 2025/26 and 2026/27 financial years. It is anticipated that the implementation of this Programme will yield savings for the province. The underlying principle is that senior officials who are currently earning higher salary notches will be replaced by a younger generation appointed at entry-level salary scales.

Hon. Speaker, to date we have received 204 applications from various departments excluding the Department of Education, which is currently in the process of finalizing its list, all of which have been approved by the respective Executive Authorities. We now await the decision of National Treasury.

Hon. Speaker, infrastructure delivery remains central to stimulating provincial economic growth and the creation of employment opportunities. For this reason, we remain steadfast in our oversight role and in demanding the effective and timely delivery of infrastructure projects. As at the end of October, provincial spending on infrastructure amounted to R2.979 billion, representing 57 percent of the allocated budget of R5.249 billion.

Hon. Speaker, in our resolve to strengthen oversight, particularly in respect of conditional grants and infrastructure expenditure, we committed that quarterly performance review meetings would be chaired by the MEC for Finance, Economic Development and Tourism, with departments led by their respective MECs. We are pleased to report that, during the first and second quarterly performance review meetings, the MECs attended as agreed.

We therefore wish to convey our appreciation to the MECs and their respective officials for responding positively to this important accountability mechanism. This collective commitment is fundamental to strengthening oversight and improving service delivery for the benefit of our communities.

Provincial revenue collection

Hon. Speaker, the Province is currently navigating a challenging fiscal environment. The constraints on the provincial fiscus, and the resulting inability to fully accommodate the budgetary pressures experienced by departments, necessitate a more concerted effort toward the mobilization of additional revenue. Notwithstanding these constraints, the province has performed commendably. As at the end of October, revenue collected amounted to R802 million, representing 66 per cent of the projected revenue budget of R1.220 billion.

Hon. Speaker, against this backdrop and in recognition of the improved revenue performance, we have resolved to upwardly adjust the in-year revenue estimates by R43.103 million.

2025/26 ADJUSTMENT BUDGET

Hon. Speaker, kindly allow me to turn to the business of the day, namely, the consideration of the 2025/26 in-year budget adjustment. The adjustment budget is regulated by Section 31 of the Public Finance Management Act and provides for the following, amongst others—*(i) allocation of funds which have become available to the province, (ii) allocation of approved conditional grants' rollovers, (iii) appropriation of reprioritized funds towards key provincial in-year budget pressures and (iv) virements of budget baselines by departments to address budget pressures and avoid risks of incurring unauthorized expenditures.*

Our fiscal challenges remain very much before us, and there is no better time than now for us to pull together, exercise discipline, and collectively strive for fiscal sustainability. In this regard, we align ourselves with the Hon. Minister of Finance. In delivering the 2025 Medium Term Budget Policy Statement, the Minister rightly alluded to the difficult trade-offs required to balance fiscal sustainability with our developmental objectives. These trade-offs demand tough choices, but they are necessary to safeguard the long-term stability of our public finances.

Hon. Speaker, in the development of the 2025/26 Adjustment Budget, we took careful heed of the Minister's guidance. Our approach has been informed by the need to protect the fiscus, prioritize frontline services, and ensure that limited resources are deployed in a manner that delivers the greatest impact for our people. It is thus within this context that we present this Adjustment Budget mindful of the challenges we face, but resolute in our commitment to responsible fiscal management and sustainable development.

Hon. Speaker, allow me to briefly touch on key fiscal matters of the 2025 MTBPS that inevitably affect provinces. The stabilization of debt as a percentage of GDP remains on course, thus in 2025/26 government debt is projected to decline stabilize at 77.4 percent of GDP. The main budget deficit is also projected to decline over the MTEF period ahead. However, what is concerning is that the debt service costs remain high at R1.3 trillion over the next three years. The Minister indicated that there is a need to address these fiscal imbalances and thus National Treasury has published a discussion document and consultations with key stakeholders are on-going. Hon.

Speaker, we trust that results will assist in addressing these challenges and free more resources towards frontline services and economic development.

In-Year Budget Pressures

Hon. Speaker, in our 2025 PMTEC discussions the provincial departments presented their respective in-year budget pressures which totalled R2 billion rand. We had very open discussions and everyone understood that the provincial fiscus is very constrained and cannot accommodate this quantum of pressure.

Hon. Speaker, to address these pressures amid fiscal limitations we decided on the following (i) reprioritization of current budget baselines within and outside the departments' budget baseline on slow spending items (ii) upward adjustment of the 2025/26 provincial revenue estimates and (iii) consideration of equitable share rollover request by departments.

Hon. Members, the in-year reprioritization of baselines outside the departments yielded only R6.021 million. The Executive Council approves the equitable share rollover requests amounting to R53.179 million to seven departments. Additionally, the province adjusted revenue estimates by R43.301 million. Hon. Speaker, our Provincial Legislature requested that an amount of R6.270 million from its own retained revenue be included in the Appropriation Bill for spending in the current financial year. Therefore, the provincial available amount for the 2025/26 adjustment is R108.771 million.

Hon. Premier, the province submitted conditional grants' rollover requests for an amount of R188.787 million to be rolled over into the current financial year. Following consideration, the National Treasury approved a rollover of R183.270 million.

Additionally, the National Treasury has allocated R215 million to the province as part of efforts to cushion the reduction in the equitable share resulting from technical adjustments to the 2025 MTEF Equitable Share Formula. We also extend our appreciation to the National Treasury for providing additional earmarked allocations for Health and Education. These earmarked allocations amount to a total of R755.065 million.

Consequently, the 2025/26 Provincial Budget is adjusted upward by R1.256 billion. This upward adjustment is informed by national addition allocation of R1.153 billion and provincial adjustments amounting to R102.750 million.

PROPOSED ADJUSTED ALLOCATIONS

We now turn our attention to the proposed allocations to the various departments. Once again, it is important to emphasise that these allocations were subjected to thorough and rigorous deliberations. This was done to ensure that the resources we are proposing to allocate are fully aligned with the strategic priorities of our province and are directed toward advancing service delivery and improving the lives of our people.

Department of Health:

The in-year budget adjustment for the department of amounts to R415.159 million. These funds are apportioned as follows:

- R381.895 million has been earmarked for compensation of employees, recruitment of unemployed doctors. Included in this allocation are provisions for goods and services—specifically for procurement of linen and beds as well as funding to address accruals.
- R20.426 million is earmarked for continuation of services that were funded through President’s Emergency Plan for AIDS Relief (PEPFAR).
- R12.838 million relates to approved equitable share rollovers.

Department of Education:

The department will receive a total of R476.945 million which is apportioned as follows:

- R303.919 million for compensation of employees and related costs.
- R166.825 million allocated through Early Childhood Development grant to cater for subsidy increases. Subsidy will increase from R17 to R24 for centre-based programmes and from R6 to R9 for non-centre-based programmes. This allocation is intended to broaden access to early learning opportunities.

- R6.201 million which relates to approved conditional grants rollover.

Department of Social Development:

The department submitted a request for the rollover of funds amounting to R9.101 million to address outstanding commitments from the previous financial year. After careful verification of commitment invoices, the Executive Council approved the rollover of R8.902 million.

Department of Sport, Arts, Culture and Recreation:

The department is allocated a total of R4.200 million to cater for goods and services budget pressures, refurbishment of Basotho Cultural Village as well as to address security challenges in various sport centres and libraries. The allocation for security measures is meant to address imminent security concerns, the department will work together with Department of Community Safety, Roads and Transport as well as Public Works and Infrastructure to find sustainable solution to the security challenges.

Department of Economic Development and Tourism:

The budget is adjusted upward by R7.500 million which relates to the following:

- R1.700 million to Free State Gambling, Liquor and Tourism Authority for cost-of-living adjustment (COLA) as well as R800 thousand towards the implementation of on-line licensing system.
- R5.000 million for Tourism support, Township Economy Revitalization and SMME Support. Hon. Member, it is imperative to remind our citizenry and our tourists that the ***“The Free State is not the province to go through, but to go to”***

Department of Public Works and Infrastructure:

The department will receive R62.000 million to partially address municipal services in year budget pressures. Furthermore, the Executive Council approved equitable share roll-over of R1.841 million to be spent in the current financial year, the approval is based on commitment invoices submitted by the department. In total the department's budget is adjusted upward by R63.841 million.

Department of Community Safety, Roads and Transport:

The budget is adjusted upward by a total of R166.000 million. An amount of R7.000 million included in the allocation is meant to alleviate budget pressures on compensation of employees, whilst the remaining R159.000 million is an approved conditional grant rollover related to Welisizwe Rural Bridges Programme.

Department of Human Settlements:

The department will receive an allocation of R13.000 million to address existing budget pressures related to goods and services, thereby ensuring the continuation of effective operations and service delivery. In addition, an amount of R5.000 million is allocated for the procurement of machinery and equipment, specifically for the replacement of obsolete laptops and desktops. This investment will enhance operational efficiency, improve productivity, and support the effective functioning of the department. In total the department's budget is adjusted upward by R18.000 million.

Department of Agriculture, Rural Development and Environmental Affairs:

Hon. Speaker, in recent months the province has experienced a serious outbreak of Foot and Mouth disease in the Fezile Dabi District, especially in towns neighbouring the North West Province and more recently cases have been confirmed in Marquard and Clocolan in the Thabo Mofutsanyana district. In responding to the outbreak, the Executive Council approved a budget allocation of R15.000 million towards containing the outbreak. The department will further receive an amount of R12.636 million which relates to approved equitable share rollover request. Lastly, National Treasury approved conditional grant rollover of R18.069 million to be spent in the current financial year. In total the department's budget is adjusted upward by R45.705 million.

Office of the Premier

Hon. Speaker, the Office of the Premier is allocated R7.000 million for coordination of Integrated Service Delivery Programme. Furthermore, the Office of the Premier requested a rollover of R3.037 million to address previous years commitments, the rollover was approved by the Executive Council based on verified commitment invoices. In total the department's budget is adjusted upward by R10.037 million.

Provincial Treasury

An amount of R6.021 million is reprioritized away from Provincial Treasury to address other provincial budget pressures. However, the department requested a rollover of R3.053 million and the request was approved by the Executive Council based on verified commitment invoices. Therefore, in total the department's budget is adjusted downward by R2.968 million.

Cooperative Governance and Traditional Affairs

The department closed the previous financial year with outstanding commitments. In this regard, the department submitted a request for the rollover of funds to honour these commitments. Consequently, an amount of R10.872 million was approved by the Executive Council, based on verified commitment invoices that were duly presented.

Provincial Legislature

Hon. Speaker, an additional allocation of R13.839 million is allocated to Provincial Legislature to cater for constitutional oversight as well as research and evaluation purposes. Furthermore, an amount of R3.026 million is allocated as part of compensation of employees' direct charges against the Provincial Revenue Fund as per the provisions of the Financial Management of Parliament and Legislatures Act.

A total of R6.270 million from the retained revenue of the Provincial Legislature will be included in the Appropriation Bill for spending in the current financial year. No cash transfer will occur from the Provincial Revenue Fund as the funds are sourced from the retained revenue of the Provincial Legislature. In total Provincial Legislature's budget is adjusted upward by R23.135 million.

2026 MEDIUM TERM EXPENDITURE FRAMEWORK

Honourable Speaker, the 2026 MTEF budget framework remains constrained, and it is imperative that we make deliberate and strategic decisions to stimulate provincial growth and job creation. For the 2026 MTEF period, the Provincial Equitable Share is reduced by R629.798 million due to a downward revision of the Consumer Price Index (CPI) and recent data updates to the Provincial Equitable Share Formula. These figures are preliminary, and we remain hopeful that ongoing engagements between Provincial Treasuries and the National Treasury will result in more favourable allocations for provinces.

2026 MTEF Priorities

Honourable Speaker, on 22 October 2025, we convened the annual EXCO Planning and Budget Lekgotla to deliberate on the key priorities of the seventh administration for implementation during the 2026 MTEF period. These priorities are aligned to the 2024–2029 Medium Term Development Plan and include:

- Inclusive growth and job creation
- Reducing poverty and addressing the rising cost of living
- Building a capable, ethical, and developmental state

In February 2026, we will hold the second EXCO Planning and Budget Lekgotla to finalise and verify the alignment of departmental budgets with these provincial priorities. This platform is essential for ensuring allocative efficiency—particularly crucial in the context of a constrained provincial fiscus. We must ensure that our limited resources deliver meaningful, impactful, and tangible improvements to the socio-economic well-being of our communities.

Let us collectively work to place the Free State Province on a path of long-term fiscal sustainability. Together we are strong, and together, we can succeed.

CONCLUSION

Hon. Members, allow me to express my sincere gratitude to the Premier, Ms Letsoha-Mathae, for her unwavering support and leadership throughout the preparation of this Adjustment Budget.

To my esteemed colleagues in the Executive Council, thank you for your dedication and collective commitment in shaping this budget. Your collaboration is truly appreciated.

My appreciation is also extended to the Speaker of the Legislature, Mr Mxolisi Dukwana, Members of the Provincial Legislature and the Members of the Provincial Public Accounts Committee for their support and rigorous oversight, which continue to strengthen governance in our province.

To the Acting Director-General, Heads of Departments, and the Accounting Officers of public institutions, thank you for your diligence and the immense effort invested in the development of this budget. I also extend my gratitude to the Provincial Treasury team, under the leadership of the Acting Head of Department, for their professionalism and hard work.

To my family, your unwavering support sustains me, and I remain deeply grateful.

To the people of the Free State Province, thank you for your continued trust and support. May God bless you.

Hon. Speaker, I hereby table the 2025/26 Adjusted Appropriation Bill.

GRACIAS/ I THANK YOU.