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#### PRESS RELEASE

### **Budget 2025 2.0 Must Become A Step Forward for Building a inclusive society**

The Budget Justice Coalition (BJC) recognises Budget 2025 as a pivotal opportunity to shift away from years of harmful austerity and toward a more inclusive economy that works for all. While the modest increases in expenditure are a step in the right direction, they must be the foundation for a long-term commitment to rebuilding and adequately funding critical public services. A strong, well-resourced public sector is essential for fostering economic growth and social equity. Unfortunately, the proposed regressive revenue measures risk deepening inequality and pushing millions of South Africans further into financial hardship. Now, it is up to Parliament to act decisively, ensuring that the budget prioritises the needs of the most vulnerable and lays the groundwork for a more just and inclusive future.

#### **The VAT Increase: A Punitive Measure on the Poor**

The BJC expresses deep concern over National Treasury's decision to increase the VAT rate by 0.5 percentage points in 2025/26 and by another 0.5 percentage points in 2026/27. In addition, personal income tax brackets across all income levels were not adjusted for inflation, which will put further pressure on the disposable income of earners in lower and middle income tax brackets. A VAT increase disproportionately affects poor and working class households, and if the 2018 VAT hike was anything to go by, there is uncertainty about whether it will generate the expected revenue that this budget relies on.

Despite claims of thorough examination of all alternatives, the [Budget Review](#) fails to provide adequate insight into the decision-making process or the rationale behind key choices. The BJC and others provided detailed proposals of more palatable alternatives to regressive VAT increases.

If these alternatives are not better than increasing VAT amidst a cost of living crisis, where approximately 3.7 million households faced moderate to severe [food insecurity](#) and 1.5 million endured severe hunger, then the Treasury should provide detailed justifications.

### **Education and Health Progress, but at what cost?**

The budget marks a significant shift, with the largest increases to education and health in over a decade, signaling a much-needed step toward rebuilding essential public services. The education budget has grown by 7.6% in nominal terms to R349.5 billion, reflecting a 2.8% real increase after years of underfunding. A major highlight is the R10 billion allocated over three years to expand Early Childhood Development, increasing the per-child subsidy and access for 700,000 children. While this is a crucial investment in early learning, the budget does not yet provide for universal Grade R as mandated by the BELA Act, leaving a critical gap that must be addressed.

Education spending is expected to grow by 1.3% in real terms over the medium term. Infrastructure grants have increased by 4% in real terms, supporting long-overdue school improvements. While school subsidies remain below pre-cost containment levels, this budget lays the foundation for further investment in the sector.

Health has also received a major boost, with an additional R28 billion - the largest increase in a decade - primarily to pay healthcare workers, employ 800 new doctors, and maintain medicine stocks. The healthcare wage bill has risen by 8.2% to R194 billion, helping to address staff shortages, and the Health Facility Revitalisation Grant has seen its first nominal increase after years of cuts, providing much-needed support for repairing clinics and hospitals.

While challenges remain, this budget represents a shift toward reinvesting in critical services. Ensuring that these funds are effectively used will be key to strengthening public services and building a more inclusive economy.

### **Limited relief for unemployed young people**

Young people are the hardest hit by unemployment and poverty, with a staggering 45.6% unemployment rate among those aged 15 to 34 at the end of 2024. The highest joblessness is among 15- to 24-year-olds, reaching 59.4%, while over 10 million young people remain economically inactive. Despite this crisis, the budget fails to prioritise youth or introduce bold interventions for higher education funding and public employment. The Presidential Employment Stimulus (PES) faces a R4.5 billion cut, and last year, delays in UIF funding led to the loss of over 200,000 much-needed job opportunities for young people nationwide. While the Minister announced an ongoing review of the public employment framework, timelines are unclear.

A major concern is the lack of medium-term funding for PES, which supports local economies, provides work experience for youth, and aids service delivery. Without sustained funding, these initiatives become temporary stopgap measures, limiting their effectiveness. Additionally, social grants will receive

R15 billion less than initially planned over the next three years. The BJC awaits further analysis on the impact of the lower VAT increase and reduced social protection funding. The budget must ensure that adequate social protection is in place while proposed reforms take shape.

### **A small step toward Gender Responsive Budgeting (GRB)**

Gender-responsive budgeting (GRB) can play a pivotal role in addressing inequality in South Africa by ensuring that public resources are allocated in a way that reduces gender disparities and promotes equality.

While this budget includes a [Gender Budget Statement](#) acknowledging the economic challenges faced by women and girls, true commitment demands targeted investments in education and health. It must also address the disproportionate burden of unpaid care work that women shoulder, whether in households, early childhood education, or healthcare. Without these measures, young women and girls - who are most affected by poverty, unemployment, and school dropouts due to teenage pregnancy - will continue to be left behind. For this reason, the departments of Basic Education, Health and Social Development and Justice must be included in the pilot.

### **Parliament Must Step Up and Deliver a People's Budget**

For the first time in democratic South Africa, Parliament has a real opportunity to amend the budget in favor of a more just and equitable approach. The Money Bills Amendment Procedure Act grants MPs the power to propose changes to revenue and spending allocations. We call on Parliament to:

1. **Reject the VAT increase** and explore more progressive revenue options.
2. **Ensure that health and education funding translates into real service delivery improvements** by addressing governance failures, underspending, and corruption.
3. **Expand the Social Relief of Distress (SRD) grant** and increase allocations to social grants to keep pace with inflation and food insecurity.
4. **Strengthen oversight on infrastructure and public-private partnerships** to prevent further financial risk to the state.
5. **Commit to a gender-responsive budget** that actively reduces gender inequality and supports women-led economic participation.
6. **Provide relief to youth** by ensuring that UIF allocation is delivered for the PES implementation

Budgets are more than numbers; they are blueprints for our collective future. South Africa cannot afford another budget that prioritizes debt over people. Parliament must act decisively to ensure that Budget 2025 serves the interests of all South Africans, not just the privileged few. Civil society has an important role to play in the work of Parliament in the coming weeks. The BJC and member organisations will continue analysing the budget documents to present alternatives to parliamentary committees as we consistently advocate for a People's Budget. We encourage all South Africans, community organisations and others to join us in pursuing this unprecedented moment for a budget that works for all.

**For media enquiries:**

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**ABOUT THE BUDGET JUSTICE COALITION:**

The organisations that make up the BJC are: Alternative Information and Development Centre (AIDC), the Children's Institute at UCT (CI), Corruption Watch (CW), Equal Education (EE), Equal Education Law Centre (EELC), HEALA, the Institute for Economic Justice (IEJ), Oxfam SA, Pietermaritzburg Economic Justice and Dignity Group (PMEJD), the Public Service Accountability Monitor (PSAM), the Rural Health Advocacy Project (RHAP), SECTION27, Ilifa Labantwana, Treatment Action Campaign (TAC), the Legal Resources Centre (LRC), Centre for Child Law (CCL), Youth Capital, 350.org, Open Secrets, Public Affairs Research Institute (PARI), Amandla.mobi, Black Sash, My Vote Counts as well as friends of the coalition.

The purpose of the Budget Justice Coalition is to collaboratively build people's understanding of and participation in South Africa's planning and budgeting processes – placing power in the hands of the people to ensure that the state advances social, economic and environmental justice, to meet people's needs and wellbeing in a developmental, equitable and redistributive way.