

Friday, 17 April 2026]

No 66—2026] THIRD SESSION, SEVENTH PARLIAMENT

PARLIAMENT

OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS,

TABLINGS AND

COMMITTEE REPORTS

FRIDAY, 17 APRIL 2026

TABLE OF CONTENTS

ANNOUNCEMENTS

National Assembly

1. Referral to Committees of papers tabled..... 2

TABLINGS

National Assembly and National Council of Provinces

1. Minister of Sport, Arts and Culture..... 2
2. Minister of Trade, Industry and Competition..... 2

COMMITTEE REPORTS

National Assembly

1. Appropriations..... 4
2. Appropriations..... 61
-

ANNOUNCEMENTS

National Assembly

The Speaker

1. Referral to Committees of papers tabled

- (1) The following paper is referred to the **Standing Committee on Finance** for consideration and report:
 - (a) Revised Strategic Plan of the Pension Funds Adjudicator for 2025 – 2030.
-

TABLINGS

National Assembly and National Council of Provinces

1. The Minister of Sport, Arts and Culture

- (a) Report and Financial Statements of the Robben Island Museum for 2024-25, including the Report of the Auditor-General on the Financial Statements and Performance Information for 2024-25.

2. The Minister of Trade, Industry and Competition

- (a) Annual Performance Plan of the Department of Trade, Industry and Competition for 2026 /27.
- (b) Annual Performance Plan of the Companies and Intellectual Property Commission for 2026/27.
- (c) Annual Performance Plan of the Broad-Based Black Economic Empowerment Commission (B-BBEE) for 2026/27 – 2028/29.
- (d) Annual Performance Plan of the Competition Commission for 2026/27.
- (e) Annual Performance Plan of the Competition Tribunal for 2026/27.
- (f) Annual Performance Plan of the Companies Tribunal for 2026/27.
- (g) Corporate Plan of the Export Credit Insurance Corporation of South Africa for 2026/27 – 2030/31.
- (h) Corporate Plan of the Industrial Development Corporation of South Africa for 2026/27 – 2028/29.

- (i) Annual Performance Plan of the International Trade Administration Commission of South Africa for 2026/27.
 - (j) Annual Performance Plan of the National Consumer Commission for 2026/27.
 - (k) Annual Performance Plan of the National Credit Regulator for 2026/27 – 2028/29.
 - (l) Annual Performance Plan of the National Consumer Tribunal for 2026/27.
 - (m) Annual Performance Plan of the National Empowerment Fund for 2026/27.
 - (n) Annual Performance Plan of the National Gambling Board for 2026/27 – 2028/29.
 - (o) Annual Performance Plan of the National Lotteries Commission for 2026/27.
 - (p) Annual Performance Plan of the National Metrology Institute of South Africa for 2026/27 – 2028/29.
 - (q) Annual Performance Plan of the National Regulator for Compulsory Specifications for 2026/27 – 2028/29.
 - (r) Annual Performance Plan of the South African National Accreditation System for 2026/27.
 - (s) Annual Performance Plan of the South African Bureau of Standards for 2026/27.
 - (t) Annual Performance Plan of the Takeover Regulation Panel for 2026/27.
-

COMMITTEE REPORTS

National Assembly

1. REPORT OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE DIVISION OF REVENUE BILL [B5—2026] (NATIONAL ASSEMBLY – SECTION 76), DATED 27 MARCH 2026

The Standing Committee on Appropriations (the Committee), having considered the *Division of Revenue Bill [B5—2026]* (National Assembly), referred to it on 24 March 2026 and tagged as a section 76 Bill, reports as follows:

1. Introduction

Section 214(1) of the Constitution of the Republic of South Africa, Act No.108 of 1996 (the Constitution) requires that a Division of Revenue Act (DoRA) determines the equitable division of nationally raised revenue among the three spheres of government (National, Provincial and Local). This is intended to foster transparency in the sharing of nationally raised revenue and ensure smooth intergovernmental relations. The Intergovernmental Fiscal Relations Act, No. 97 of 1997 prescribes the process for the determination of an equitable sharing and allocation of revenue raised nationally. Sections 9 and 10(4) of this Act set out the consultation process to be followed with the Financial and Fiscal Commission, including the process of considering recommendations made regarding the equitable division of nationally raised revenue by the Commission.

In giving effect to Section 73 of the Constitution, the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009 (the Money Bills Act) as amended by the Money Bills Amendment Procedure and Related Matters Amendment Act No.13 of 2018 was enacted. In line with Section 7(1&3) of the Money Bills Act and section 27 of the Public Finance Management Act No. 1 of 1999 (PFMA), the Minister of Finance tabled the national budget including the 2026 Division of the Revenue Bill (the Bill) on 25 February 2026. The Speaker of the National Assembly then referred to the Committee for consideration and report on 24

March 2026, after the adoption of the Fiscal Framework by the National Assembly in line with Section 9(1) of the Money Bills Act.

The Committee received briefings from the National Treasury and the Parliamentary Budget Office on the Bill. The Committee also had engagements with the Financial and Fiscal Commission as required by Section 9(7)(a) of the Money Bills Act. Furthermore, the Committee received briefings from the South African Local Government Association, as required by Section 214(2) of the Constitution of the Republic. The Department of Basic Education and the Department of Transport were also invited to make submissions on the Bill.

In line with section 9(5)(b) of the Money Bills Act, the Committee is required to hold public hearings on the Division of Revenue Bill. To this end, adverts calling for public submissions on the Bill were published on the Parliamentary website and media platforms on 10 March 2026, and in national, regional and local print media from 08 to 16 March 2026, including two radio stations, SAFM and Ukhozi FM from 12 to 17 March 2026, in the morning. Public hearings on the Bill were held on Tuesday, 17 March 2026 at Durban Westville Civic Centre in the Province of KwaZulu-Natal. The Committee received oral and written submissions from interested parties. Furthermore, the following parties made oral and written presentations during the public hearing session held via a Zoom Virtual Meeting Platform on 17 March 2026, in a session that commenced in the evening after the conclusions of the physical public hearings held in Durban Westville:

- Congress of South African trade Unions (COSATU);
- Better Governance Initiative (BGI);
- Amandla.mobi; and;
- Inanda Community Organisation.

2. Overview of the 2025 Division of Revenue Bill

The 2026 Budget announces strengthened measures to improve the operations and financial management in local government. Over the 2026 medium-term expenditure framework (MTEF) period, national government transfers more than half of nationally raised revenues to the nine provinces and 257 municipalities, empowering them to fulfil their mandated functions and serve their communities, as per their constitutional mandates. Provinces oversee the provision of essential services, such as basic education, healthcare, roads, human settlements,

social development and agriculture. Meanwhile, local government services include water, sanitation, electricity reticulation, local roads and refuse removals. These transfers play a crucial redistributive role, shifting resources from high-activity economic areas to areas least able to afford public services. Provincial and local governments have autonomy to prepare their own plans and budget within the national policy framework. However, despite these large transfers, operational and financial management weaknesses persist.

The 2026 Budget marks a fundamental shift in the subnational fiscal architecture. For over a decade, intergovernmental financing flows have masked provincial and municipal performance weaknesses. With 63 per cent (162) of municipalities in financial distress in 2023/24, and provinces struggling to balance compensation costs and service-delivery outputs, this approach has reached its limit. National government is now moving from oversight to active structural intervention.

At the municipal level, this shift involves changes to legislation, governance arrangements and technological intervention. In provinces, government is enforcing strict headcount controls and compensation discipline. These measures include centralising the functions of government's human resources, payroll and administration system, conducting employee verification through identification systems, and requiring provincial treasuries and premiers' offices to approve the filling of all posts against verified recruitment plans and available funding. Together, these reforms move the system towards a more capable, disciplined and performance-oriented model of subnational governance.

3. Overview of government's fiscal policy position

The 2026 Budget marks a turning point for public finances. After a long stretch of rising debt that began in the wake of the 2008 global financial crisis, government debt peaks as a share of economic output in the current fiscal year. The main budget deficit is R12.4 billion lower than forecast in the 2025 Budget as a result of strong fiscal outcomes for the first 10 months of 2025/26. Against the backdrop of slightly higher real GDP growth and lower inflation, confidence in South Africa's fiscal outlook has improved, enabling a sovereign ratings upgrade and lower borrowing costs. Government is working to ensure a steady decline in debt as a share of GDP for the rest of the decade, reducing the cost of servicing debt and creating a more supportive environment for private investment.

For the first time this decade, government is tabling a fiscal framework in which debt-service costs grow more slowly than overall expenditure. Over the next three years, principal and interest payments are expected to be R21 billion lower than estimated in the 2025 Medium Term Budget Policy Statement (MTBPS). To enhance the progress made to restore the health of the public finances, government will announce proposals for a principles-led fiscal anchor in the 2026 MTBPS, informed by consultation.

Government's medium-term fiscal strategy aims to stabilise the debt-to-GDP ratio in the current year and to reduce it through the rest of the decade by growing the main budget primary surplus. To execute this, government will:

- Support economic growth by withdrawing previously proposed tax increases for 2026/27 while accelerating public investment.
- Improve the efficiency of spending by implementing the Targeted and Responsible Savings (TARS) initiative.
- Improve the composition of spending by containing the public-service wage bill while increasing capital investment.
- Entrench sustainable public finances with a principles-led fiscal anchor.

Gross tax revenue for 2025/26 is revised upwards by R21.3 billion compared with the 2025 Budget. The tax-to-GDP ratio increases to 25.9 per cent. The R20 billion tax increase previously pencilled in for the 2026 Budget is withdrawn. Personal income tax brackets and medical tax credits will be fully adjusted for inflation, after two years with no inflationary relief. Tax thresholds and limits are also adjusted for the impact of inflation, to assist small businesses and encourage savings.

Fiscal policy balances the need to narrow the budget deficit and reduce debt with the obligation to protect public services and support the economy. Low growth and high debt-service costs have made this balance difficult, but it remains the most sustainable policy stance. Government remains on course to restore the health of the public finances. Since 2021/22, the main budget deficit has declined from 5.1 per cent of GDP to a projected 4.5 per cent in 2025/26 and is projected to narrow further to 2.9 per cent in 2028/29. In 2023/24, the primary balance swung from deficit to surplus for the first time since the 2008 global financial crisis. It will grow to 2.3 per cent of GDP in 2028/29. As a result, debt as a share of GDP will decline over the next three years and the cost of servicing that debt will reduce from 21.3 per cent of revenue in

2025/26 to 20.2 per cent in 2028/29. These developments reflect a determined approach to repair the public finances while creating a foundation for stronger and sustainable economic growth

4. South Africa's economic outlook

South Africa's economic recovery is starting to gain traction. The economy is now expected to have grown by 1.4 per cent in 2025, up from the 1.2 per cent projected in the 2025 Medium Term Budget Policy Statement (MTBPS). Real GDP growth is forecast to average 1.8 per cent from 2026 to 2028. The economy continues to face structural constraints, including elevated unemployment, transport bottlenecks and infrastructure backlogs. Sustained growth requires faster implementation of reforms especially in energy, water and transport, continued fiscal prudence, and improved public-sector service delivery and efficiency. Government's growth strategy continues to focus on:

- Maintaining macroeconomic stability
- Implementing structural reforms
- Boosting state capability
- Raising the level of public infrastructure investment.

5. Proposed revisions to spending plans

Government's 2026 medium-term expenditure plans reflect its priorities of supporting infrastructure development, protecting social services and improving the quality of basic services. Consolidated government spending grows by 3.9 per cent a year over the medium term, increasing from R2.58 trillion in 2025/26 to R2.89 trillion in 2028/28. Ongoing budget reforms aim to remove duplication and waste and reconfigure or wind down low-priority and ineffective programmes. Efficiency savings will be reallocated to priority areas. Expenditure remains strongly redistributive in line with government's commitment to reducing poverty and inequality. This is reflected in the social wage, which makes up about 60 per cent of non-interest spending over the medium term. This includes spending on education, skills development and public employment; the provision of housing, public transport and free basic services; and

healthcare. Basic education, health and social protection constitute 70.3 per cent of the social wage in 2026/27, providing support to 13.6 million schoolchildren, healthcare services to 84 per cent of the population and 26.5 million social grant beneficiaries.

Non-interest expenditure decreases by a net R19.4 billion in 2026/27 and 2027/28 compared with the 2025 Budget, mainly because baselines have been rebased to align with the lower medium-term inflation outlook. Priority spending increases have largely been funded through savings yielded by improved targeting and the reduction of fraud in the social grants system, as well as by the scaling down of the *public transport network grant (See Table 1 Below)*. The grant has not yielded sufficient increases in ridership to justify new investment in the system. However, it will continue to fund indirect costs in those cities that operate bus services on integrated public transport networks.

Table 1: Proposed spending additions funded over the MTEF period

R million	2026/27	2027/28	2028/29	MTEF total
Targeted and responsible savings	-4 421	-3 649	-3 934	-12 004
Road-based public transport	-2 321	-2 546	-3 528	-8 396
Income verification on social grants	-2 000	-1 000	–	-3 000
Saving from Post Bank contract	-100	-102	-406	-609
Other MTEF spending pressures accommodated	5 165	3 788	4 880	13 834
Disaster rehabilitation	1 512	–	–	1 512
Defence	857	899	942	2 697
Border Management Authority	316	330	344	990
Represented political party funding	500	522	545	1 567
Office of the Chief Justice	219	229	239	687
Presidency	40	90	90	220
Statistics South Africa	59	68	81	208
National Council on Gender-Based Violence and Femicide	43	45	47	136
Passenger Rail Agency of South Africa	1 291	1 128	1 275	3 694
Other spending pressures accommodated ¹	328	478	1 317	2 123

1. Accommodates spending for the Public Service Commission, various programmes in the Department of Cooperative Governance and Traditional Affairs, the Municipal Utility Reform Programme and the South African National Roads Agency Limited.

Source: National Treasury: 2026 Budget Review

As reflected in Table 1 above, savings in these areas amount to R12 billion over the medium term. A significant portion of the savings identified in public transport is shifted to the Passenger Rail Agency of South Africa's (PRASA's) Metrorail service, which aims to increase ridership from 116 million passenger trips in the current year to 450 million by 2028/29.

Further savings are reallocated to strengthen state capacity in the judiciary, border management, defence and Statistics South Africa. Allocations are also provided to projects approved by the Budget Facility for Infrastructure. This includes expanding the Square Kilometre Array and bulk water infrastructure in Polokwane and restoring Transnet's iron-ore corridor and coal capacity.

The Early Retirement Programme for eligible employees was introduced to rejuvenate the public service, manage the public-service wage bill and enable the restructuring of departments to improve service delivery. In the first phase, 7 687 applications from eligible employees were approved, of which 4 644 relate to provincial departments and the remainder to national departments. The total cost of the early retirements amounts to R3.7 billion and the estimated net savings are R5.5 billion, of which R2.6 billion will be realised in 2026/27, R1.4 billion in 2027/28 and R1.5 billion in 2028/29.

6. Summary of the equitable share of nationally raised revenue

Table 2 below indicates the overall equitable division of revenue raised nationally between national, provincial and local spheres of government for 2026/27, 2027/28 and 2028/29 financial years respectively. Of the total funds available after providing for debt-service costs and the contingency reserve, 48.2 per cent is allocated to national government, 42.3 per cent to provincial government and 9.5 per cent to local government.

Table 2: Equitable Division of Revenue Raised Nationally

Spheres of Government	Column A	Column B	
	2026/27	Forward Estimates	
		2027/28	2028/29
	R'000	R'000	R'000
National ^{1,2}	1 602 840 029	1 662 255 195	1 742 618 772
Provincial	670 322 736	698 625 733	720 409 289
Local	110 090 0001	114 483 348	118 041 399
Total allocations	2 383 252 766	2 475 364 276	2 581 069 460

1. *National share includes conditional allocations to provincial and local spheres, general fuel levy sharing with metropolitan municipalities, debt-service costs, the contingency reserve and provisional allocation*
2. *The direct charges for the provincial equitable share are netted out*

Source: National Treasury [Division of Revenue Bill: 2026 (B5—2026)]

7. Division of Revenue

The division of nationally raised revenue for 2026/27 balances national priorities and the fiscal realities faced by provincial and local governments. Ensuring that sustainable public finances underpin the progressive realisation of socio-economic rights by protecting the social wage – including education, health, social protection and basic services – within a constrained fiscal envelope, and by progressing towards a principles led fiscal anchor and legislation to embed fiscal sustainability and require each new administration to table a medium-term fiscal plan.

The most important public spending programmes that help poor South Africans, contribute to growth and create jobs have been protected from major reductions. The 2026 division of revenue reprioritises existing funds to ensure these objectives are met. For 2025/26, the main budget deficit is forecast at 4.5 per cent of GDP, slightly lower than the 4.6 per cent projected in the 2025 Budget, largely because in-year revenue collections have been stronger than expected. Compared with the 2025 MTBPS projections, the 2025/26 main budget deficit and primary surplus show a modest improvement. However, much of the revenue gain is offset by higher non-interest expenditure. Debt-service costs are also revised down by R10.6 billion over the medium term, reflecting improved bond yields, a stronger rand, and lower inflation and interest rates. Over the MTEF period, the main budget deficit is projected to continue narrowing from 3.7 per cent of GDP in 2026/27 to 2.9 per cent in 2028/29, mainly as expenditure growth moderates relative to GDP. For details on the division of nationally raised revenue, see *Table 3* below.

Table 3: Division of nationally raised revenue

R billion	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Average annual MTEF growth
	Outcome			Revised estimate	Medium-term estimates			
Division of available funds								
National departments	855,9	826,9	860,5	939,4	951,7	939,9	987,9	1,7%
<i>of which:</i>								
<i>Indirect transfers to provinces</i>	3,5	4,1	3,7	4,6	3,0	2,6	2,7	-16,5%
<i>Indirect transfers to local government</i>	7,2	8,2	7,1	7,6	7,5	8,0	8,3	2,8%
Provinces	694,1	706,3	730,6	788,8	810,5	845,9	872,4	3,4%
Equitable share	570,9	585,1	600,5	649,3	670,3	698,6	720,4	3,5%
Conditional grants	123,3	121,2	130,2	139,4	140,2	147,2	152,0	2,9%
Local government	150,7	157,7	167,7	178,3	182,3	189,3	195,3	3,1%
Equitable share	83,9	92,3	99,5	103,8	110,1	114,5	118,0	4,4%
Conditional grants	51,4	50,0	52,1	57,7	54,7	56,6	58,5	0,4%
General fuel levy sharing with metros	15,3	15,4	16,1	16,8	17,5	18,2	18,8	3,7%
Provisional allocations not appropriated ¹	–	–	–	–	1,3	38,2	39,2	
Non-interest allocations	1 700,7	1 690,8	1 758,8	1 906,5	1 945,8	2 013,3	2 094,8	3,2%
<i>Percentage increase</i>	5,0%	-0,6%	4,0%	8,4%	2,1%	3,5%	4,0%	
Debt-service costs	308,5	356,1	385,8	420,6	432,4	451,5	469,3	3,7%
Contingency reserve	–	–	–	–	5,0	10,6	17,0	
Main budget expenditure	2 009,2	2 046,9	2 144,6	2 327,1	2 383,3	2 475,4	2 581,1	3,5%
<i>Percentage increase</i>	6,5%	1,9%	4,8%	8,5%	2,4%	3,9%	4,3%	
<i>Percentage shares</i>								
<i>National departments</i>	50,3%	48,9%	48,9%	49,3%	48,9%	47,6%	48,1%	
<i>Provinces</i>	40,8%	41,8%	41,5%	41,4%	41,7%	42,8%	42,4%	
<i>Local government</i>	8,9%	9,3%	9,5%	9,4%	9,4%	9,6%	9,5%	

1. For early retirement costs in 2026/27 and the SRD in the outer two years

Source: National Treasury: *2026 Budget Review*

Over the next few years, government plans to increase its consolidated government spending from R2.67 trillion in 2026/27 to R2.89 trillion in 2028/29. The bulk of this spending will go towards supporting the social wage, which is a crucial aspect of government's commitment to social welfare. The main budget deficit is projected to keep declining over the MTEF period, falling from 3.7 per cent of GDP in 2026/27 to 2.9 per cent in 2028/29, largely because expenditure growth moderates relative to GDP. Several provincial and local government infrastructure grants that are likely to go unspent based on historical spending trends are being reprioritised to other priorities.

8. Provincial Revenue and Spending

Provincial government receives two forms of allocations from nationally raised revenue: the equitable share and conditional grants. Sections 214 and 227 of the Constitution require that an equitable share of nationally raised revenue be allocated to provincial government to provide basic services and perform its allocated functions. The equitable share is an unconditional transfer to provinces and constitutes their main source of revenue. However, due to their limited revenue-raising abilities, provinces receive 42.3 per cent of nationally raised revenue over the medium term. In addition, they receive conditional grants to help them fulfil their mandates. Transfers to provinces account for over 97 per cent of provincial revenue.

Provinces shoulder the primary responsibility for delivering social services according to nationally determined norms and standards, including providing basic education for 13.6 million learners and healthcare for the 53.4 million people without private medical insurance. Because legislation limits provinces' ability to raise their own revenue, they are highly dependent on national transfers, which accounted for about 97 per cent of provincial revenue in 2024/25. Provincial own revenue collections are estimated to total R95.2 billion over the MTEF period, generated primarily from motor vehicle licence fees and gambling fees.

Direct national transfers to provinces are projected to grow by an annual average of 3.4 per cent, from R788.8 billion in 2025/26 to R872.4 billion in 2028/29. In 2026/27, these transfers include R670.3 billion for the provincial equitable share and R140.2 billion for conditional grants, which includes an unallocated amount of R157 million for the *provincial disaster response grant*.

8.1. Proposed changes to provincial government allocations

For the 2026 MTEF period, proposed changes to provincial allocations include downward revisions to provincial transfers, the reprioritisation of funds from conditional grants to national government and additional allocations to the provincial equitable share and conditional grants.

8.1.1. Proposed Consumer Price Index related adjustments

For the 2026 MTEF, Cabinet endorsed lower consumer price index (CPI) levels, as reflected in the fiscal framework for the 2025 MTBPS. Planned spending levels across all three spheres of government have thus been revised downward to reflect these lower CPI projections. The revised CPI projections indicate a decline in cost escalations, including construction costs, over the MTEF period. Accordingly, the following proposed adjustments are made as follows:

- The total provincial equitable share baseline is adjusted downward by R1.0 billion in 2026/27, R2.2 billion in 2027/28 and R2.2 billion in 2028/29, relative to the indicative allocations.
- Similarly, conditional grants are revised downward by R568 million in 2026/27, R1.2 billion in 2027/28 and R3.1 billion in 2028/29.

8.1.2. Proposed changes to the provincial equitable share (PES)

- A proposed amount of R31.3 billion is added to the provincial equitable share for the education and health sectors. These are carry-through cost of allocations announced in May 2025 budget. The proposed allocation comprises of:
 - An amount of R3.2 billion in 2026/27, R3.3 billion in 2027/28 and R3.4 billion in 2028/29 are added for the education sector to support provinces with compensation of employee costs and other pressures the sector is facing.
 - An amount of R6.9 billion in 2026/27, R7.1 billion in 2027/28 and R7.3 billion in 2028/29 are for the health sector to fund compensation of employee costs, shortfalls in goods and services expenditure, and the employment of doctors.

- A proposed amount of R342 million is added to the provincial equitable share over the MTEF to cover the progressive equalisation of the remuneration of Grade R teachers in provinces.
- A proposed amount of R340 million is added in 2026/27, to the provincial equitable share to support provinces with the implementation of the Early Retirement Programme to cover financial incentive costs in provinces.
- A proposed amount of R319 million is added to the provincial equitable share in 2026/27 for the continuation of the education assistants programme, which was introduced in 2020 as part of the Presidential Employment Stimulus. These funds are intended to cover the costs associated with the continuation of the education assistance programme.

8.1.3. Proposed changes to conditional grants allocations

Other changes to provincial allocations include reprioritisation of funds from and within conditional grants, as follows:

- A proposed amount of R12.8 billion is added over the 2026 MTEF to *the early childhood development grant* for the continued expansion of early childhood development services. Of this amount, amount of R800 million in 2026/27 is reprioritised from the *early childhood development grant* to make funding available to protect the national school nutrition programme and *learners with severe to profound intellectual disabilities grant* from inflationary adjustments and to progressively fund the equalisation of remuneration for Grade R educators in the education sector, as follows:
 - The national school nutrition programme is allocated R446 million, R13 million is added to the learners with profound to severe intellectual disabilities.
 - An amount of R342 million is allocated for the equalisation of remuneration for Grade R educators. The allocation for the equalisation of remuneration for Grade R educators will be added through the provincial equitable share.
 - An amount of R175 million over the MTEF is added for the implementation of e-cares. The purpose of the funds is to pay the salaries to the employees who will be responsible for collecting and managing data for the system, their operational expenses and tools of trade.

- A proposed amount of R109 million is reprioritised from the *comprehensive agricultural support grant* to the Department of Agriculture. This funding will be used to develop an e-certification system; implement animal identification, recording and traceability systems; and continue to implement blended financing.
- A proposed amount of R3 billion is reprioritised from the *human settlements development grant* to the *informal settlements partnership upgrading grant* to address previous reductions that significantly lowered the baseline of the *informal settlements partnership upgrading grant*, while ensuring that the grant has sufficient funds to deliver its activities.
- A proposed amount of a total of R1 million in 2026/27 and R1 million in 2027/28 is reduced from the *human settlements development grant* and the *informal settlements partnership upgrading grant* and added to the provincial equitable share. This is to correct for funding that was erroneously allocated as a top up for compensation of employees in the *human settlements grants*, specifically for the KwaZulu-Natal province.
- In 2026/27, a proposed amount of R5 million is reprioritised from the *expanded public works programme integrated grant* for provinces to make funding available for existing pressures in the national Department of Public Works and Infrastructure

8.1.4. Proposed additions to the Budget Facility for Infrastructure (BFI)

Proposed additional allocations are made to provincial allocations through the Budget Facility for Infrastructure. An amount of R218 million is added in the *health facility revitalisation grant* for the Tygerberg and Klipfontein Regional hospitals.

8.1.5. Proposed additional funding for disaster relief

A proposed amount of R1.5 billion is added to the *provincial roads maintenance grant* in 2026/27 to fund the carry-through costs of the disasters that occurred between April 2024 and June 2025. This funding will be used for the reconstruction and rehabilitation of provincial infrastructure damaged by rainfall, flooding, thunderstorms, and strong winds.

8.1.6. Proposed allocations towards the Presidential Employment Stimulus Programme

Funding has had to be reprioritised from various parts of government to continue with the implementation of the Presidential Employment Stimulus. For the provincial conditional grants, a proposed amount of R503 million is reprioritised from the *education infrastructure grant* and a proposed amount of R747 million is reprioritised from the *provincial roads maintenance grant* for this purpose.

8.1.7. Proposed Mergers of Conditional Grants

- Over the 2026 MTEF, a proposal is made to merge the *Comprehensive Agricultural Support Programme Grant* and *Ilima/Letsema Projects Grant* into one grant. The 2026 conditional grant framework accounts for this proposed merger.
- A proposal is made to merge the *School Infrastructure Backlogs Grant* into the *Education Infrastructure Grant* with 2026/27 as the final year in which it appears as a standalone grant. A proposed amount of R448 million is allocated to the *School Infrastructure Backlogs Grant* to complete projects for 2026/27, while a proposed amount of R1.2 billion is incorporated into the *Education Infrastructure Grant*.

8.1.8. Proposed allocations calculated outside the equitable share formula

In addition to allocations made through the formula, the provincial equitable share includes proposed allocations that have been determined using other methodologies. These allocations are typically introduced when a new function or additional funding is transferred to provinces. National government indicates separately how much funding has been allocated to each province for this specific purpose. Funds are also added through this approach when a priority has been identified through the national budget process and provincial government performs the function or when a conditional grant is absorbed into the equitable share.

In the 2026 MTEF, the following proposed allocations that are included in the provincial equitable share allocations to provinces have been determined using other methodologies:

- A proposed amount of R2.3 million that has been reduced from the *Human Settlements Development Grant* and the *Informal Settlements Partnership Upgrading Grant* and added to the provincial equitable share.
- A proposed amount of R342 million is added to the provincial equitable share to equalise remuneration as per the conditions of service for qualified educators in Grade R.
- A proposed amount of R319 million is added to the provincial equitable share in 2026/27 for the continuation of the education assistants programme.
- A proposed amount of R340 million is added in 2026/27 to the provincial equitable share to cover financial incentive costs in provinces for the Early Retirement Programme.

9. Local Government Revenue and Spending

Funds raised by national government are transferred to municipalities through conditional grants and unconditional transfers. National transfers to municipalities are published to enable them to plan fully for their 2026/27 budgets and to promote better accountability and transparency by ensuring that all national allocations are included in municipal budgets. The 2026 Budget strengthens delivery by expanding the suite of implementing agencies that can be used where municipal capacity constraints undermine project execution, enabling infrastructure grants to be implemented through capable intermediaries.

Having taken the revisions to the local government fiscal framework into account, R566.9 billion will be transferred directly to local government and a further R23.8 billion has been allocated to indirect grants. Direct transfers to local government over the medium-term account for 9.5 per cent of national government's non-interest expenditure. National transfers form a relatively small portion of this framework, with municipalities primarily relying on their own substantial revenue raising powers. However, this varies significantly, with poor rural municipalities depending heavily on transfers, while urban municipalities generate most of their own revenue. Consequently, transfers per household to rural municipalities are more than double those to metropolitan municipalities. In addition, overall direct allocations to local government grow by annual average of 3.1 per cent over the MTEF, while the local government equitable share grows at an annual average rate of 4.4 per cent over the MTEF.

9.1. Key considerations for municipal reforms

The 2026 Budget announces major initiatives to address persistent deterioration in a large share of municipalities. The key factors in municipal financial instability are weak revenue collection, poor credit control and lack of financial discipline. Rising electricity and water input costs intensify financial pressures, but the accumulation of arrears largely reflects failures to bill accurately, collect revenue consistently, and ring-fence and remit collections for bulk services. These weaknesses have left 88 municipalities with unfunded budgets and limited capacity to maintain infrastructure and sustain services. To address this, the National Treasury is revitalising support for long-term financial plans to improve project identification, sustainably plan cash flows and inform financial decisions.

Proposed municipal reforms are rooted in the revised White Paper on Local Government and the local government fiscal framework review. The white paper's proposals include a more differentiated system in which functions are assigned according to demonstrated capacity. In non-metro areas, this includes moving towards a single-tier model of elected local government where appropriate. The local government fiscal framework review proposes strengthening the links between the equitable share, conditional grants and measurable improvements in core functions such as revenue collection and asset maintenance, with a particular focus on the viability of the equitable share formula. These reforms fall into three broad categories: legislative, governance and technological.

- ***At the legislative level***, the Municipal Finance Management Act (MFMA) Amendment Bill, scheduled for public comment in early 2026, forms the legal backbone of the reform package. It will support the local government fiscal framework by enforcing funded budgets, strengthen expenditure controls and consequence management, and clarify the treatment of irregular expenditure to focus on financial losses.
- ***In terms of governance***, the state is strengthening its intervention framework for municipalities in severe financial distress. Currently, 29 municipalities are under mandatory financial recovery plans in terms of section 139(5) of the Constitution, with seven recovery plans reviewed and amended in 2024/25 and four new plans developed in 2025/26. Implementation progress has been slower than anticipated. A key weakness is that responsibility for implementing the financial recovery plans rests with the troubled municipalities themselves. Without addressing deep-rooted dysfunction, municipalities are unlikely to lead themselves out of financial crisis. The forthcoming MFMA amendments will provide more decisive powers for the design and enforcement of financial recovery plans, ensuring earlier intervention and consequence management.

- *A key technological reform* is the Smart Meters Grant Programme, which is allocated R2.5 billion over the MTEF period. In 71 debt-stressed municipalities, the programme has already installed over 139 000 smart meters, with 96 400 more planned for the next budget cycle. Beyond improving billing accuracy, these systems provide real-time data to identify leaks and illegal connections, directly addressing structural revenue losses. Grant disbursements are contingent on municipalities demonstrating improved collection rates.

9.2. Proposed changes to local government allocation

Several changes to local government allocations proposed in the 2025 MTBPS have been endorsed. These include:

- A proposed merger of the baselines of the *integrated national electrification programme grant* and the *energy efficiency demand side management grant* in 2026/27 to focus on energy efficiency and renewable energy programmes that can lead to more sustainable energy provision and enable the achievement of long-term energy security goals.
- A proposed shift of R300 million in 2026/27 from the *municipal infrastructure grant* to the Department of Cooperative Governance's vote for the once-off gratuity payment to outgoing councillors after the local government elections.
- A proposed shift of R536 million in 2026/27 from the *direct component of the municipal infrastructure grant* to the indirect component to address infrastructure delivery issues.
- A proposed shift of R19.2 billion (R5.7 billion in 2026/27, R6.4 billion in 2027/28 and R7.1 billion in 2028/29) from the *urban settlements development grant* to the *metro trading services component of the urban development financing grant* to strengthen core utility functions; and an additional incentive allocation of R8.6 billion over the MTEF period towards the *metro trading services component of the urban development financing grant*, confirmed from the provisional allocations made in 2025.
- A proposed reduction of R491 million in 2026/27 from the *informal settlements upgrading partnership grant*: municipalities to support the continuation of the implementation of the Presidential Employment Stimulus.

- A proposed reduction of R784 million in 2026/27 from the *integrated national electrification programme (Eskom) grant* to support the continuation of the implementation of the Presidential Employment Stimulus.
- A proposed reduction of R921 million in 2026/27 from the *municipal infrastructure grant* to support the continuation of the implementation of the Public Employment Programme Presidential Employment Stimulus.
- A proposed discontinuation of *the indirect neighbourhood development partnership grant*, with its baseline of R219 million over the MTEF shifted to the Vote of the National Treasury and earmarked to support government's infrastructure reforms.
- A proposed correction of the Budget Facility for Infrastructure allocations for eThekweni Metropolitan Municipality, allocated through the *urban development financing grant*. The full allocation of R379 million for the non-revenue water project was erroneously allocated to eThekweni instead of being split between the municipality and the Infrastructure Fund as per the agreed work package. eThekweni's allocation in the *urban development financing grant* is reduced by R144 million over the MTEF and allocated to the Infrastructure Fund.
- A proposed additional allocation of R2.1 billion over the MTEF period to the *regional bulk infrastructure grant* for a regional wastewater treatment works project in Polokwane, funded through the Budget Facility for Infrastructure.
- A proposed reduction of R8.3 billion over the MTEF period to the *public transport network grant*, identified through the Targeted and Responsible Savings process. This include an amount of R3 billion over the MTEF identified through the TARS at the time of the MTPBS, further amounts R1.3 billion in 2026/27, R1.5 billion in 2027/28 and R2.5 billion in 2028/29 are reprioritised to PRASA to accelerate the modernisation and replacement of critical rail signalling infrastructure.

10. Substantive changes to the Bill Clauses

Most of the Bill clauses remain the same from one year to the next. However, proposed changes in the 2026 Division of Revenue Bill include:

- **Section 1 – Interpretation**

- The definition of the *Integrated National Electrification Programme Grant* mentioned in section 11(3) is included in section 1.
 - The definition of the *Public Transport Operations Grant* is omitted in section 1 as this grant is not referenced in the clauses.
 - Aligned to the change made in in section 26(5)(a) limiting participation in the *Integrated Urban Development Grant* to Intermediate City Municipalities (ICMs), a definition of an ICM is included.
- **Section 11 – Duties of receiving officer in respect of Schedule 4 allocations**
 - Section 11(6) is updated to clarify that evaluation reports of programmes partially or fully funded by a Schedule 4 municipal grant need not to be submitted to provincial treasuries as the metropolitan municipalities are non-delegated municipalities.
 - **Section 12 – Duties of receiving officer in respect of Schedule 5 or 7 allocation**
 - Section 12(5) is Section 12(2)(c) is updated to clarify that quarterly non-financial reports must be submitted to the relevant provincial treasury, the National Treasury and the relevant transferring officer within 30 days after the end of each quarter.
 - Updated to clarify that evaluation reports of programmes partially or fully funded by a Schedule 5 municipal grants received by metropolitan municipalities need not to be submitted to provincial treasuries as they are non-delegated municipalities
 - **Section 16 – Expenditure in terms of purpose and subject to conditions**
 - Updated enable direct transfers to implementing agents under the MIG reforms
 - Aligns MIG 6B with existing arrangements in the *Integrated National Electricity Programme (Eskom) Grant* and indirect components of *water infrastructure grants*
 - As introduced in the 2025 Division of Revenue Bill, section 16(7)(a) & (c) are updated to include requirements that must be met in instances where municipalities are assigned the library services function.
 - **Section 19 – Reallocation of funds**

- Updated to allow for Schedule 5 allocations of non-performing local municipalities to be reallocated to district municipalities.
- **Section 20 – Conversion of allocations**
 - Updated to allow for the conversion of Schedule 5 to Schedule 6 allocations for non-performing local municipalities.
 - Enables national implementation, either directly or via another organ of state (including SOCs and/or SOEs).
- **Section 26 – Preparations for 2027/28 financial year and 2028/29 financial year**
 - Section 25(a) is updated to clarify that only intermediate city municipalities can apply to participate in the *Integrated Urban Development Grant*.
- **Section 28 – Duties of municipalities**
 - For consistency with several other clauses across the Bill, section 28(1)(a), which requires category C municipalities to submit their budgets to the National Treasury, the relevant provincial treasury and category B municipalities with their areas of jurisdiction, within 10 working days after the DoRA takes effect, is updated to allow for a 14- working day period for the submission.
- **Section 37 - Transitional measures for municipal election in 2026**
 - A new municipality in Free State will come into effect on election day (Nov 2026–Jan 2027), after the start of the 2026/27 financial year - redetermination of the boundaries of Kopanong Local Municipality.
 - 2026 DORB municipal allocations will be published using current boundaries, with a placeholder for the new municipality
 - Section 37 enables post-election re-gazetting of equitable share and conditional grant allocations.
 - ❖ Funds to flow to the current municipality until elections, then to re-demarcated municipalities thereafter.
 - ❖ Additional equitable share transfer will be allowed for these municipalities.

- **Several clauses – submission deadlines (excluding reporting timelines required in other legislation)**
 - For consistency with several other clauses across the Bill, several clauses are updated to specify that the stipulated timelines are working days. These clauses all require submissions within limited timelines (3 to 14 days). Several stakeholders have reported difficulties in meeting such timelines due to weekends, and thus the changes are made to address this.
 - ❖ Timelines aligned to other legislation remain unchanged e.g. submission of financial and non-financial reports as part of the report required in section 40(4)(c) of the Public Finance Management Act within 30 days after the end of each quarter.

11. Comments from invited stakeholders 2026 Division of Revenue Bill [B5—2025]

This section provides an overview of the comments on the Bill from the Financial and Fiscal Commission, Parliamentary Budget Office and South African Local Government Association, including comments on the Bill by the Department of Basic Education and the Department of Transport who were also invited to make submission on the Bill.

11.1. Financial and Fiscal Commission (FFC)

The Commission is required, in terms of the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009 (as amended), to submit its analysis and recommendations on the Division of Revenue Bill to Parliament.

▪ Division of Revenue: Provinces

The FFC submitted that total intergovernmental fiscal transfers to provinces increased from R798.43 billion (as projected in the 2025 Budget for 2026/27) to R810.48 billion in the 2026 Budget, an increase of 1.5 per cent. The Provincial Equitable Share (PES) allocation for

2026/27 was adjusted by 1.5 per cent from R660.57 billion to R670.32 billion, while the conditional grant allocation increased by 1.7 per cent from R137.86 billion to R140.16 billion. Regarding the PES, the FFC submitted that increases across all provinces for 2026/27 range from 1.1 per cent to 1.8 per cent. These increases are driven primarily by allocations to support compensation pressures, the equalisation of Grade R teacher pay in the education sector, the compensation and employment of doctors, and the coverage of shortfalls in goods and services expenditure in the health sector. The FFC expressed concern that additional allocations amounting to R1.9 billion for the 2026/27 financial year are calculated outside the PES formula, undermining the principles of transparency and predictability. It further expressed concern about how such non-earmarked funds would be monitored to ensure utilisation for the intended purpose.

Regarding provincial conditional grants allocation, the FFC drew attention to the following significant adjustments between the 2025 and 2026 Division of Revenue Bills:

- The *Informal Settlements Upgrading Partnership (ISUP) Grant* increased by 107 per cent across all provinces for 2026/27, with the budget rising from R930 million to R1.9 billion. This increase is funded through a shift from the *Human Settlements Development Grant (HSDG)*. The FFC expressed the view that this reallocation could accelerate the declining trajectory of housing delivery.
- The *Early Childhood Development Grant (ECDG)* increased by 115.8 per cent, reflecting an additional R12.8 billion (R3.3 billion in 2026/27) for the continued expansion of ECD services. The FFC supported these revisions as evidence of government commitment to early childhood development but expressed concern about the capacity and readiness of provinces to spend the additional funds.
- The *Comprehensive Agricultural Support Programme (CASP)* increased significantly by 34.5 per cent, partly as a result of its merger with the Ilima/Letsema Projects grant.
- The *Human Settlements Development Grant (HSDG)* was reduced by 7.5 per cent (R1 billion) to R13.3 billion for 2026/27, continuing a sustained downward revision over the past seven years.
- The *Education Infrastructure Grant (EIG)*, arising from the merger of the *School Infrastructure Backlogs Grant*, experienced a net downward adjustment of 3.5 per cent (R590 million). The FFC expressed concern that this decrease could compromise the objectives and outcomes of the merged grant.

The FFC did not support the proposed consolidation and reallocation of funds within the human settlements sector under the current ISUP grant framework. The Commission submitted that the ISUP structure encroaches on the constitutionally assigned powers and functions of municipalities, specifically in areas such as zoning and water infrastructure, responsibilities that, while administered through provinces, remain a core municipal mandate. This position was further informed by the sustained downward revisions of the HSDG, which have significantly impaired housing delivery.

The FFC noted the conversion of the *School Infrastructure Backlogs Grant* to the *Education Infrastructure Grant* and submitted that downward budget adjustments for the EIG could compromise the objectives and outcomes of the merged grant.

The FFC reiterated its warning against the extensive use of additional allocations outside the provincial equitable share formula, submitting that this practice creates fiscal uncertainty among provinces and may lead to intergovernmental fiscal tensions and disputes.

▪ **Division of Revenue: Local Government**

The FFC submitted that the share of local government allocations as a proportion of the main budget remains at 9.4 per cent in 2026/27 and 2027/28, declining to 9.3 per cent in the outer year. Compared to the 2025 Budget baseline, the 2026 Division of Revenue Bill reduced the Local Government Equitable Share (LGES) by 0.5 per cent and decreased conditional grants by 3.7 per cent for 2026/27. Total local government transfers decreased by 1.5 per cent relative to the 2025 baseline.

The FFC noted that while the LGES formula remains unchanged, the 2026/27 allocations reveal widening fiscal pressures among non-metropolitan municipalities. Provinces with large metropolitan municipalities such as Gauteng show stability in their LGES share, while the two most rural provinces (Limpopo and the Eastern Cape) experience declines, indicating developing fiscal pressures in predominantly rural areas.

On local government conditional grants, the FFC noted the following significant changes between the 2025 and 2026 Division of Revenue Bills:

- A shift of R536 million from the direct to the indirect component of the *Municipal Infrastructure Grant (MIG)*, intended to address infrastructure delivery challenges. The FFC expressed concern that this redirection applies only within the financial year, whereas the direct grant of the MIG is based on a formula of infrastructure categories.
- A positive variance of 14.9 per cent in the *Integrated National Electrification Programme (Municipal) Grant (INEPG)* for 2026/27, reflecting the merger of the INEPG with the *Energy Efficiency and Demand-Side Management Grant*.
- A significant positive variance in the Urban Development Financing Grant (UDFG), directly attributed to the R19.2 billion shift from the *Urban Settlements Development Grant (USDG)* to the metro trading services component and an additional R8.6 billion incentive allocation towards the metro trading services component over the MTEF period.
- A reduction of 10.5 per cent in the *Informal Settlements Upgrading Partnership Grant* for municipalities in 2026/27, attributed to medium-term reprioritisation.
- A reduction of 33.3 per cent in the *Integrated National Electrification Programme (Eskom) Grant*, reflecting the reprioritisation of R784 million to support the Presidential Employment Stimulus.
- A substantial negative variance of 29 per cent in the *Public Transport Network Grant (PTNG)* for 2026/27, reflecting an R8.3 billion reduction over the MTEF identified through the Targeted and Responsible Savings process.
- A positive variance of 20.8 per cent in the *Regional Bulk Infrastructure Grant (RBIG)* for 2026/27, reflecting an additional R2.1 billion allocated over the MTEF.

The FFC recommended that the National Treasury and the Department of Cooperative Governance and Traditional Affairs formally assess the first-year implementation of the performance-based urban development component of the UDFG and determine whether measurable improvements in asset management, project execution and financial sustainability have been realised in metropolitan infrastructure management, particularly in water, sanitation, electricity and waste services. The Commission further recommended a consolidated impact assessment of the cumulative reductions and reprioritisations across infrastructure grants, to determine the full implications for service delivery and infrastructure backlogs in rural and fiscally constrained municipalities.

11.2. Parliamentary Budget Office

The PBO briefed the Committee on the 2026 Division of Revenue Bill. The PBO submitted that nominal growth in allocations over the 2026 Budget is 1.7 per cent for national departments, 3.4 per cent for provinces and 3.1 per cent for local government, all lower than projections made during the 2025 Medium Term Budget Policy Statement (MTBPS). The average nominal growth rate of 3.0 per cent means that real per capita spending is declining over the medium term. Real per capita spending on the social wage in 2026/27 is estimated at R20 169, lower than the R20 223 estimated in the 2025 Budget, with particular declines in basic services, local government and community works programmes.

The PBO outlined the PES formula components: 48 per cent for education (based on school-age population and learner enrolment in public ordinary schools); 27 per cent for health (based on provincial risk profiles and caseloads); 16 per cent for a basic component (based on population shares using 2025 mid-year population estimates); 5 per cent for an institutional component (equally divided per province); 3 per cent for poverty (based on income data); and 1 per cent for economic activity (based on regional gross domestic product). The estimated average annual growth rate for the PES is 3.5 per cent over the MTEF period. Gauteng receives the largest proportion at 21 per cent, followed by KwaZulu-Natal at 20.3 per cent and the Eastern Cape at 12.9 per cent.

The PBO submitted that total real per capita expenditure on health in 2026/27 is estimated at R3 346, revised upward from the 2025 MTBPS projection of R3 327. However, the outer year projection of R3 366 is lower than the 2025 MTBPS projection. The PBO noted that medical price inflation, estimated at 9.5 per cent for 2025, significantly exceeds the general CPI assumption of 3.3 per cent in the medium term. Real expenditure per learner on basic education is projected at R17 688 for 2026/27, lower than the 2025 MTBPS projection of R17 788.

The PBO submitted that grant reforms for the 2026 MTEF period focus on consolidation, better targeting and stronger performance incentives. The *School Infrastructure Backlogs Grant* is to be fully merged into the *Education Infrastructure Grant* in 2026/27, and the *Comprehensive Agricultural Support Programme Grant* and the *Ilima/Letsema Projects Grant* are being combined to streamline support to emerging farmers. The Community Library Services grant is earmarked for incorporation into the provincial equitable share in 2028/29. The PBO

indicated its support for these reforms, having previously identified the need to improve efficiencies within these conditional grants.

On the *Human Settlements Development Grant*, the PBO submitted that R13.9 billion was spent in 2024/25 to produce 38 483 housing units and 38 957 serviced sites. It recommended that consideration be given to integrating the *National Tertiary Services Grant* and the *Human Resources and Training Grant* into the PES.

On ECD, the PBO noted that R1.4 billion in ECD spending on subsidies benefitted 348 146 children in 2024/25, and that ECD infrastructure funding supported the maintenance of 172 centres and the construction of seven new low-cost centres. The National School Nutrition Programme received R9.8 billion for 19 772 schools in 2024/25 to provide meals, while the number of children benefitting is not reported.

The PBO outlined the structure of the LGES formula, comprising a Basic Service component (85.4 per cent of the formula), an Institutional component (5.8 per cent) and a Community Services component (8.7 per cent), with a Revenue Adjustment factor applied to the institutional and community services components based on per capita income indexes using income of individuals/households, property values, unemployment rates and the proportion of poor households. A correction and stabilisation factor ensures that municipalities receive at least 90 per cent of indicative allocations published over the MTEF period.

The PBO noted that in order to protect infrastructure investment from municipal dysfunction, a general clause is to be introduced in the 2026 Division of Revenue Bill to enable the National Treasury to redirect infrastructure grants from local municipalities that have proved incapable of implementation to the Development Bank of Southern Africa, the Municipal Infrastructure Support Agent or capable district municipalities. The PBO further noted the reconfiguration of the *Urban Settlements Development Grant*, with R19.5 billion moved to the *Urban Development Financing Grant* and R8.6 billion added over the medium term to a performance-based component.

The PBO noted that metropolitan municipalities, particularly Johannesburg, eThekweni, Nelson Mandela Bay and Buffalo City, are identified for targeted support under the Growth and Inclusion Strategy (GAIN) to stabilise their performance.

The PBO submitted that its analysis of conditional grant performance information presents a mixed picture over time. Key findings include underspending accompanied by both under- and over-performance on outputs; performance outputs and indicators that are not well defined; poor or absent reporting on actual non-financial information; incomplete performance information in annual reports; and inconsistencies between figures reported in Annual Reports and the Division of Revenue Act. The PBO submitted that such differences in reported figures question the credibility of performance information.

The PBO recommended that previous performance be used as a baseline when determining targets for subsequent years, to address instances where targets are set lower than prior year achievements. It further submitted that improving the quality of performance reporting will assist oversight bodies including Parliament in monitoring and evaluating the effectiveness and efficiency of conditional grant expenditure. Persistent inaccuracies in the reporting of performance and expenditure trends on conditional grants must be addressed by both national departments and transferring departments.

The PBO submitted that the 2026 Budget introduces a fundamental shift in subnational fiscal architecture, moving from oversight to active structural intervention, with provinces rationalising public entities by reviewing mandates, governance arrangements and financial sustainability. While nominal increases are provided in key function groups such as health, basic education and police services, these allocations remain insufficient to address critical structural backlogs. The PBO called on Parliament to ensure that budgets align with the 7th Administration's priorities as per the MTDP, are supported by robust sector plans and monitoring systems, and that continuous reprioritisation informed by performance reviews is embedded as an ongoing practice.

11.3. South African Local Government Association (SALGA)

SALGA submitted that it has consistently advocated for reform of the local government fiscal framework, highlighting that municipalities are structurally underfunded relative to their constitutional mandates. The current framework is rooted in the 1998 White Paper for Local Government, which assumed that all municipalities would become largely self-financing, that economic growth would strengthen household payment capacity and that urbanisation and submitted that it is consulting its governance structures on the Draft White Paper and will publish its formal position.

SALGA identified the following new stressors on the local government fiscal environment since 1998 that were not anticipated in the original framework design:

- Rapid urbanisation and unplanned settlement growth, placing increasing pressure on municipal service delivery capacity and infrastructure.
- Intensifying climate shocks, including floods, droughts and infrastructure damage, imposing high unbudgeted costs on municipalities.
- Deepening poverty, high unemployment and household affordability constraints that reduce municipal revenue-raising capacity.
- Ageing and failing infrastructure, with a renewal backlog estimated at over R1.5 trillion across water, requiring large-scale renewal investments far beyond available funding.
- Escalating debt to Eskom and water boards, constraining municipal liquidity and compromising service continuity.

SALGA further submitted that systemic management risks compound the fiscal challenges, including high levels of non-revenue water and electricity (often above 40 per cent), revenue collection rates below 75 per cent in 151 municipalities, and repairs and maintenance expenditure at an average of approximately 4 per cent of asset replacement value, well below the recommended minimum. Costs for trading services exceed inflation and have grown from 47 per cent of total revenue in 2003/04 to 72 per cent in 2023/25, according to the Draft White Paper.

SALGA cited evidence from the Local Government Fiscal Framework (LGFF) Review, which confirms that municipalities require between 13.5 and 18.8 per cent of nationally raised revenue to meet their constitutional obligations. PBO analysis highlights a real decline in municipal transfers of 18 per cent since 2016. SALGA submitted that its own fiscal studies identify a widening structural funding gap, escalating unfunded mandates and the urgent need for a climate-responsive fiscal model.

SALGA submitted that the vertical allocation to local government in the 2026 Division of Revenue Bill reflects a 6 per cent decrease in conditional grants (direct 5 per cent and indirect 1 per cent), a 6 per cent increase in the equitable share and a 4 per cent increase in the general

fuel levy to metropolitan municipalities. SALGA submitted that the fiscal framework recognises a municipal funding deficit but does not adjust the vertical share accordingly.

SALGA expressed ongoing concern that local government remains structurally underfunded and that the 2026 Division of Revenue Bill contains no visible indication of the reform commitments contained in the Draft White Paper on Local Government and the LGFF review process being reflected in the medium-term allocations. It submitted that below-CPI-linked municipal cost pressures, including bulk electricity tariff increases of 8.6 per cent as approved by NERSA and water utility increases of between 5 and 14 per cent.

SALGA identified the following specific changes to conditional grants as a course of concern:

- The *Public Transport Network Grant (PTNG)* was reduced by 21 per cent, with funds reallocated to PRASA for the refurbishment of the rail network. SALGA expressed concern about the implications of this reduction for the rollout of Bus Rapid Transit systems.
- The *Neighbourhood Development Partnership Grant* was reduced by 6 per cent.
- The *Energy Efficiency and Demand-Side Management Grant* was discontinued.
- The *Municipal Infrastructure Grant (MIG)* baseline was reduced by R3.2 billion over the MTEF period.
- The *Urban Settlements Development Grant (USDG)* was reduced by R1.4 billion, undermining metropolitan municipalities' capacity to address infrastructure backlogs.

SALGA submitted that the 6 per cent decline in both direct and indirect conditional grants demonstrates that government has not adequately acknowledged the scale of the infrastructure backlog in local government. SALGA called on Parliament to ensure that scenario and modelling implications of the Draft White Paper on Local Government and the LGFF review inform budget proposals in the medium-term before proposals are finalised.

SALGA submitted that mandates transferred to municipalities without accompanying funding continue to distort municipal budgets. Drawing on evidence from the FFC and the PBO, SALGA estimated total unfunded mandates at R31.4 billion per year. The most severely underfunded mandates include libraries (R7.2 billion), municipal health services (R6.1 billion), fire services and disaster response (R4.7 billion) and housing accreditation functions (R8.5

billion). SALGA submitted that municipalities are consequently forced to redirect scarce funds from infrastructure investment to the provision of provincial functions.

SALGA submitted that the LGES formula continues to lag-behind demographic, climate and infrastructure realities. Population data used in the formula is based on the 2011 Census with partial updates, undercounting rapid urbanisation and migration patterns. The Institutional Component is funded at only 46 per cent of actual cost, leaving municipalities unable to maintain minimum administrative capacity. The Community Services Component excludes several cost drivers, including stormwater systems maintenance, street lighting electrification pressures and urban management costs in metropolitan municipalities. SALGA further submitted that the LGES formula does not incorporate climate vulnerability indices, despite multiple calls from SALGA and the FFC.

On the issues of updated data to inform the LGES, SALGA noted that National Treasury had previously provided funds to Statistics South Africa to collect updated data and that Parliament must hold National Treasury accountable for this. SALGA indicated that it would lobby for the annual updating and publishing of this data. Furthermore, SALGA submitted that despite restructuring efforts, municipalities continue to face a grant system that is unpredictable and misaligned with long-term infrastructure planning needs, with 27 grants in total creating an excessive administrative burden. SALGA expressed concern about parallel reform processes currently underway, including the Electricity Distribution Industry reform and water services reforms, noting that policy proposals within these processes may not align with the Draft White Paper on Local Government process. SALGA called on COGTA to consolidate and integrate all reform processes and report progress to Parliament, including on the infusion of capacity building support within reform implementation.

SALGA submitted that government's stated rationale of reducing infrastructure spending to provinces and municipalities on account of corruption and weaknesses in financial management is applied inconsistently, given that comparable weaknesses are experienced at national departments and state-owned companies, where the majority of reallocated expenditure is directed. SALGA cited findings of the Auditor-General of South Africa for 2023/24 under the Municipal Finance Management Act, noting that 78 per cent of high-impact auditees had material compliance findings, 64 per cent experienced project delays and 25 per cent had poor quality construction work, and that R538.57 billion (92 per cent) of cumulative irregular expenditure has not been resolved. SALGA called on Parliament to hold the National Treasury

accountable for what it characterised as a partial and biased application of section 216 of the Constitution.

SALGA submitted the following recommendations to the Committee:

- SALGA submitted that it does not support the notion that government debt has stabilised, noting that debt has increased by 12 per cent since 2022 and that growing debt constrains the fiscus and reduces the budget available for infrastructure investment and the adequate funding of local government.
- SALGA submitted that the 6 per cent decline in both direct and indirect conditional grants proves that government has no intention of acknowledging the infrastructure backlog in local government and no commitment to fund local government adequately. SALGA called on Parliament to ensure that the scenario and modelling implications of the Draft White Paper on Local Government and the LGFF review inform budget proposals in the medium term before they are incorporated into future Division of Revenue Bills.
- SALGA submitted that it is not clear how state capability will be supported and improved from a human capital and skills development perspective in the current reforms, as the focus is only on changes to powers, functions, roles and responsibilities. SALGA indicated that it will lobby for capacity building and performance management support to be infused in all reforms currently underway.
- SALGA called on Parliament to hold the National Treasury accountable for being biased and partial in implementing consequences and invoking section 216 of the Constitution, noting that the same weaknesses identified by the Auditor-General in municipalities are present in national departments and state-owned companies, against which section 216 has not been invoked.
- SALGA submitted that the equitable share formula continues to use 2011 Census data, which may be negatively impacting municipalities with higher proportions of poor households. SALGA noted that National Treasury had provided funds to Statistics South Africa to collect updated data and that Parliament had previously held National Treasury accountable for this. SALGA indicated that it will lobby for the annual updating and publishing of this data.

11.4. The Department of Basic Education

The Department of Basic Education briefed the Committee on the 2026 Division of Revenue Bill. In its submission to the Committee, the department addressed several challenges which included infrastructure backlog in schools, learner transport; the joint responsibilities between itself and the Department of Transport (DoT) in the provision of scholar transport. It indicated to the Committee that there are overlapping functions between the DBE and DoT and all these functions are based on the applicable regulatory framework as well as the norms and standards in the provision of the services in respect of the schools' infrastructure and the scholar transport.

The department submitted to the Committee that most of the funding is done by the respective provincial governments and the national government, provides funding to the provincial departments through the conditional grants. It indicated that the Provincial Equitable Share (PES) is a portion that is utilised by the provinces to fulfil their service delivery mandate to take care of the schools' infrastructure and learner transport needs. However, the department indicated to the Committee that there are funding shortfalls that undermine the delivery of services across all provinces for both infrastructure and scholar transport. In view of this, the department told the Committee that it requests R140 billion to address the current schools' infrastructure backlog across all nine provinces. It added that the injection of the above funds will help in clearing the backlogs in Gauteng and the Western Cape provinces as examples.

The department detailed the magnitude of the scholar transport challenges to the Committee and categorised this explanation according to the needs in the ordinary schools and the schools for learners with special needs. This explanation provides an overview of the service provision for the third quarter of the 2025/26 financial year.

▪ **Scholar Transport Challenges**

On *Learner Transport in Ordinary Schools*, the department provided the following details in terms of the provision of the scholar transport services across the provinces:

- A total of 886 767 learners need scholar transport across all provinces;
- 5 734 schools need assistance with scholar transport;
- The department targeted 673 117 learners in the provision of learner transport;
- 5 539 schools were targeted in the provision of scholar transport and only 76 percent of learners were targeted for the scholar transport services;

- 730 759 learners were transported in the third quarter of 2025/26 financial year from 4 514 schools across the provinces; and;
- The department provided scholar transport services up to 82 per cent of the initial target.

▪ **Scholar Transport in Schools for Learners with Special Needs**

The department provided the following details in terms of the provision of the scholar transport services across the provinces:

- 70 661 learners need transport across all nine provinces from 332 schools;
- 66 509 learners were targeted for the scholar transport services from 222 schools;
- 94 per cent of learners were targeted for the scholar transport services; and
- 65 845 learners were transported in the third quarter of the 2025/26 financial year.

▪ **Infrastructure challenges and an update on the state of schools' infrastructure**

The department provided the Committee with an update on the state of infrastructure in schools and an overview on the infrastructure projects under *the Accelerated School Infrastructure Delivery Initiative (ASIDI)* project pipeline. In its explanation, the department indicated to the Committee that there are ongoing projects aimed at addressing the challenges of 331 schools with inappropriate infrastructure; 1 336 schools for water supply project; 1 088 for the sanitation; 342 for electricity supply and 7 for overcrowding.

Regarding the classrooms, the department indicated that the challenge does not necessarily lie in the dire shortage but the having more classrooms in the wrong places. It explained that the parents move with their children to places where they find new employment and leave schools with empty and unused classrooms. It indicated that the challenge is prevalent in the Gauteng and Western Cape provinces where there are serious challenges of the need for more classroom. The department submitted that 43 677 classrooms are needed to address the shortage of classrooms. Regarding the libraries, the department submitted to the Committee that there are mobile libraries in the rural areas, however, access to the library services is also using online services for digital libraries to mitigate the challenge in the shortage of libraries in schools.

According to the department, 57 per cent of schools have libraries and 49 per cent have computer centres. The department apprised the Committee with the schools with inappropriate buildings; with the eastern Cape topping the list. Eastern Cape recorded a total of 1 538 schools with inappropriate buildings; followed by KZN with 978; Limpopo with 562 and Northwest with 166.

The department illustrated the magnitude of the challenge through the Capital Investment Planner, informed by its assessment of the current conditions of the infrastructure. The estimated costs to address the backlog (*inclusive of the VAT*) is at R129 billion for the Capital Investment; R98 billion for maintenance which covers preventative and reactive maintenance. Both the Capital Investments and the maintenance costs amount to a total investment of R227 billion.

In respect of the estimated annual investments needed to address the backlog, the department told the Committee that it needs a Capital investment of R32 billion and R25 billion for maintenance to make up an annual total of R57 billion to address the backlog. Over and above, the department submitted to the Committee that the available funding for the *Education Infrastructure Grant* for the 2026/27 MTEF is at R49.9 billion.

The department submitted the following funding requirements for the *Education Infrastructure Grant* (EIG) to the Committee for the respective financial years below:

Financial Year	Minimum	Allocation	Commitment	Shortfall
26/27	R57 billion	R16.3 billion	R10 billion	R40.7 billion
27/28	R57 billion	R16.6 billion	R10.0 billion	R40.4 billion
28/29	R57 billion	R17.1 billion	R10.0 billion	R39.9 billion

Whilst the department presented its funding request to the Committee, it took the Committee through its spending report on the EIG as at 23 February 2026 and indicated that 87 per cent of the grant has been spent across all the nine provinces.

11.5. The National Department of Transport

In briefing the Committee on the Bill, the department provided a high-level analysis on various conditional grants that are used to assist provinces in the delivery of the transport services in the medium-term period. These grants are detailed in the Expected National Expenditure (ENE)

as prepared by the National Treasury, through the Minister of Finance. In its comment on the Bill, the department highlighted that *the Provincial Road Maintenance Grant (PRMG)* the transfers to this grant are expected to be at the total of R54.2 billion over the medium term with an additional funding of RR1.5 billion in the 2026/27 financial year. This amount is earmarked for the reconstruction and rehabilitation of roads infrastructure that was damaged by the natural disasters in June 2025. R707.0 million of the total amount of this grant will be used for additional funding in the Eastern Cape and R803.9 will be dedicated to the Limpopo province.

The department also highlighted on the need to address the road infrastructure challenges through the utilisation of the *Rural Road Asset Management Grant (RRMS)*. According to the department, this grant plays a key role in helping the rural district municipalities in setting up Road Asset Management Systems (RAMS) and in collecting road data to inform investment decisions. Furthermore, the department briefed the Committee on the *Public Transport Operations Grant (PTOG)* that according to the department is pivotal in subsidising the road-based public transport services that are provided through the provincial transport departments. The department submitted to the Committee that the allocations of this grant are expected to increase at an average annual rate of 3.7 percent from R88.1 billion in the 2025/26 financial year to R9. billion in the 2028/29 financial year.

Regarding the *Public transport network Grant (PTNG)*, the Committee was informed of the mismatch that was found in the vision for the formation of the grant and its implementation. Over a period, this mismatch led to the decision to wind it down because of the challenges it had through underspending, and the decision was communicated by the Minister of Finance during the 2025 Medium-Term Budget Policy Statement. It was reduced by R8.3 billion. reduction by R8.3 billion. Despite it being wounded down, the grant remains important in the provision of transport services to the metropolitan municipalities like City of Cape Town; Polokwane; Rustenburg; Tshwane and Nelson Mandela Bay as examples. Its allocation remains at R14 billion over the medium-term period.

Furthermore, the department briefed the Committee on the existing contractual agreements signed with the Vehicle Operating Company Agreements (VOCAs), with the affected taxi operators. The department submitted that affected cities were requested to submit information to provide value, type and the length of the PTNG funded contractual commitments. Unfortunately, not all the cities responded with the required data and that it (*the department*) has current engagements with the affected cities to submit the required data. The Committee

was informed that an amount of R30 billion goes to the remaining contract value of the VOCAs as guided by the terms of the said contract. On an annual basis, an amount of R1.48 billion shows the estimated funding requirement to sustain the current VOCA operation in the current agreement. The potential risk is that, when the PTNG allocations are reduced, the current VOCA terms and commitments are likely to result in structural funding gap risks, should there be no additional funding.

In respect of the infrastructure recovery programme, the department submitted that it has managed to successfully restore 35 railway corridors out of the 40 that were lined up for restoration. Among other corridors, the department indicated that it has in its plans, to restore the Midway to Lentz with the anticipation to revive the corridor to Vereeniging; Germiston to Daveyton only condition that there are additional funds injected, Johannesburg to Nasrec, also, subject to injection of additional funding.

▪ **Funding and shortfall in the Medium-term Expenditure Framework**

Regarding funding needs, the department took the Committee through the funding needs as well as the shortfall in the Medium-Term Expenditure Framework. To this end, the department highlighted that the rolling stock budget allocation is at R17.9 billion for the 2026/27- 2028/29 financial year. R34.3 billion is required for the rolling stock funding for negotiated contract costs and R16.5 billion, inclusive of the R8.1 billion projected shortfall in the 2025/26 in year allocation to assist in the current gap. The R8.1 billion includes funds for the trains that still need to be paid for. The department highlighted the Committee that despite this shortfall, the department is currently in discussion with the supplier and the service provider to review the production and delivery schedule of the new trains over the medium-term period.

12. Public submissions on the 2026 Division of Revenue Bill [B5—2025]

This section provides a summary of both the oral and written public submissions received on the Bill.

12.1. Congress of South African Trade Unions (COSATU)

COSATU provided an overview on the grey areas of the current budget. The Federation submitted that the current budget does not respond to the challenge of unemployment, which currently stands at 41 per cent. COSATU submitted that the current budget fails to address the economic growth that is needed to improve the country's GDP; and that it does not solve the problem of struggling municipalities and State-Owned Enterprises. Most critical of these shortcomings of the current budget is that, according to the Federation, it does not provide a blueprint on the efforts to fight corruption and the mitigation of the gaps created by inequality. Although the Federation pointed at the shortcomings of the current budget, it welcomed some of the strides made in the current allocations to different departments.

▪ **Strengths of the current budget through COSATU's submission**

Regarding the strides made in the budget on public service, COSATU welcomed the allocations made in the social services. The Federation appreciated the allocation of R18.6 billion for the rolling out of the Early Childhood Education (ECD) for approximately three hundred thousand learners and the R330 million that is aimed at putting the Grade R teachers on a better salary level with others. Regarding schools' infrastructure, COSATU welcomed the injection of R1.1 billion for school sanitation projects in the KZN, Eastern Cape and Limpopo provinces.

Regarding the health sector, COSATU appreciated the prioritisation of R24 billion for Health Facilities Revitalisation, including the R92 billion for the District Health Programmes. It was impressed by the allocation of R1.5 billion for the National Health Insurance (NHI). On localisation, the federation advised that government must make efforts to ensure that spending is concentrated on locally manufactured products.

The Federation also submitted that it is concerned that there is no additional support in place for cushioning the agricultural, industrial and manufacturing sectors that are exposed to the risks posed by high costs in electricity and high oil price increases amidst the global turmoil that is likely to influence the rising cost of living. On the level of corruption, the federation submitted that it is not good that there is no coherent strategy to fight corruption and efforts to address the water mafia and other syndicates that increase the level of crime in the current budget.

▪ **State of municipalities**

COSATU submitted that corruption also manifested in the local sphere of government where there is no consequence management, and this had led to the dysfunctionality of many municipalities. As a result of this dysfunctionality of the municipalities, the municipal debts are currently very high. According to COSATU, despite this, the Federation appreciates the allocation of R31.5 billion in the *Urban Settlement Grant*; R6 billion for the *Integrated National Electrification Grant* and the R2.5 billion for rolling out smart meters. To improve the state of functionality of municipalities, COSATU suggested that there must be capacitation programmes for the municipal officials to improve their functionality.

COSATU submitted the following proposals for the attention to the Committee:

- Parliament must play a strict and closer oversight on the public employment and infrastructure programmes.
- There must be engagement with the Public Investment corporation (PIC); Sector Education and Training Authorities (SETAs) and the Independent Development Corporation (IDC) to reflect on the strategies to boost economic infrastructure.
- There must be engagements with Nedlac on ramping up SMME, industrialization and export financial stimulus relief package.
- Current vacancies in the frontline services must be filled without delay.
- Audit on ghosts posts must be extended to all departments, including entities; municipalities and SOEs.
- There should be a cut on executives and senior management in favour of shifting resources to frontline positions.

Whilst the federation noted the funding for some projects at the level of municipality as indicated above, the Federation submitted that it was concerned about the cuts on the municipal funding by R2.6 billion. The Federation indicated that this cut has the potential of narrowing the service delivery mandate of the municipalities. Regarding the *Municipal Infrastructure Grant (MIG)*, the federation registered its displeasure in reduction of allocation from R3.9 billion to R3.6 billion. The discomforts also include the cuts in the Thabo Mofutsanyane; Gert Sibande and the uMkhanyakude districts. The Federation further indicated that it was worrying that the struggling Pixley Ka Seme district municipality had a cut from R800 million to R768 million whilst the ZF Mqacawu experienced a cut from R893 to R796 million.

COSATU submitted the following proposal to the Committee:

- Urgent interventions must be initiated to stabilize the increasingly dysfunctional municipalities and measures must be in place to tackle revenue and expenditure obligations.
- SOE`s like Eskom; Sanral and the Department of Water and Sanitation must be taken on board for the delivery of basic services.
- There must be programmes to capacitate the struggling municipalities.

12.2. Amandla.mobi

Amandla.mobi prefaced its submission by commenting on the mismatch between what the 2026 National Budget is presumed to present, against its own observation on the nature and reality of what the budget presents to South Africans. The organisation submitted to the Committee that the National treasury views the budget as a turning point for South Africa, while at the same time, putting emphasis on the fiscal credibility. Accordingly, the budget, in Amandla.mobi`s view, people do not experience the turning point as indicated by the National Treasury because of the actual realities they experience. These realities include stagnant economic growth, unemployment and the rising costs of living that continue to put pressure on most households in South Africa. Amandla.mobi submitted that among others, that the budget does not provide plans to mitigate the impact of unemployment, inequality and poverty in the society. Instead, the organisation suggested that the current budget celebrates debt stabilisation and low GDP growth. It further submitted that the government normalises economic stagnation when the economy has consistently recorded an annual growth of below 2 per cent between 2009 and 2025.

▪ Social Grants and the Social Relief of Distress Grant (SRD)

The organisation submitted that the National Treasury ignores the call for the increment on the SRD Grants. In its assessment, this grant is not enough to enable the current recipients to sustain the households, amidst the rising cost of living. At the same time, the grant is not aligned to the current inflation and therefore, is acutely inadequate to allow for a keep up with the current economic pressures.

Amandla.mobi mentioned the African National Congress and the Democratic Alliance as the parties that spoke about the promise to increase the social security grants in their respective

election campaigns, for example, there was a promise to increase the *Child Support Grant* to be in line with the food poverty line, as well as the *Maternal Support Grant*. These promises are yet to be fulfilled according to Amandla.Mobi. Regarding the Old-Age grant that the Minister of Finance spoke about in the current budget, the organisation expressed its appreciation but decried the fact that he offers the bare minimum in this grant. This happens in spite of the calls and appeals by the pensioners for an increment in the grant.

Amandla.mobi raised a pointed discomfort an the non-increase of the SRD grant and that about ten million potential recipients are excluded from the grant.it further submitted that it is worrying that the Department of Social Development has introduced measures that are regressive and made many people not to receive the grant. It averred that it is concerning that the department of Social Development indicated that the initiatives are aimed at curbing corruption but ironically, officials of the department are the one found wanting in the acts of corruption. Amandla.mobi perceives this as one of the disturbing phenomena that contribute to the exclusion of individuals from accessing the grant. The organization implored on the government to state initiating clear plans, not promises to address the matter of the future of the SRD grants.

▪ Taxes

Amandla.mobi submitted that it is alarming that the Minister of Finance is reluctant to introduce Net Wealth Tax but was bold enough to increase the Value Added Tax (VAT) in last year's budget. According to the organisation, taxing the ultra-rich has more potential of increasing the tax revenue. On the other hand, the organisation submitted to the Committee that there is a challenge with the big businesses not paying tax. At the same time, the organisation submitted that lack of control measures to curb illicit financial flow continues to undermine efforts to build on more tax revenue in the country. It also indicated although there are medical tax rebates, it is only a minute fraction of the society that uses medical aids and it means that most people using the public healthcare systems do not benefit from these rebates.

▪ Infrastructure

The organization continued to highlight the devastating impact of poor infrastructure on sustainable development and economic growth. It submitted that in the recent past, the country was plagued by loadshedding and now that there is a bit of recovery on this, the problem of

load reduction kicked in. This has had a negative bearing on the households and businesses; these challenges were a direct result of poor infrastructure according to the Organisation.

Amandla.mobi expressed appreciation on the allocation of R1.7 trillion for infrastructure as a step in the right direction to improve infrastructure investment. It however, indicated that there is no clear plan to develop measure for the return of investment on the infrastructure allocation. The organisation advised that the infrastructure roll out should include rural areas where the provision of clean water is required.

▪ **Health Taxes**

Amandla.mobi submitted that the increment on the tobacco and alcohol taxes was a good move by the Minister of Finance, although it is minimal. This is despite the indication for support on the need to increase health taxes in the 2025 survey. This survey indicated that about 85 per cent of the population supported the increment in health-related taxes and the action that followed in the increment does not necessarily show the overwhelming support demonstrated for the increase.

▪ **Health and Education**

Amandla.mobi submitted that it is disturbed by the shortage of the staff in education and health. The Organisation highlighted a worrying factor on the overcrowding in hospitals and classrooms because of the infrastructure related challenges, and in other instances where the current infrastructure is not enough to accommodate the recipients of services in education and health sectors. Furthermore, Amandla.mobi raised concern about the cut in the Basic Education Employment Initiative (BEEI) which made a dent in employing youths in the education sector. The organisation indicated that the cuts in the allocation has been a regressive step that did not resonate with the objective of youth employment and the reduction of high levels of unemployment.

▪ **Public engagements**

The overriding thought underlying this sub-theme in the submission by Amandla.mobi was to raise its concerns on some of what it termed reckless comments by senior public officials and executives in public platforms about the painful and lived experience of the people of South

Africa. The organisation submitted that some of these comments reflect insensitivity and lack of regards for the conditions to which the struggling South African are going through. It cited the example of a comments by the Minister of Finance on the lavish events organised by banks with the National Treasury. The Organisation was of the view that the Minister does not have time to engage with social grant recipients or low-income communities.

12.3. Better Governance Initiative (BGI)

The BGI provided the Committee with its generic view on the allocations to municipalities in 2026 budget. BGI illustrated that local government has only 9.4 per cent of the 2026/27 budget and that about R30 billion of the allocation is spent by local government on the functions that are Constitutionally assigned to other spheres of government. BGI submitted that this happens at a time when 63 per cent of the municipalities are in distress. This, in the view of BGI, presents a worrying picture on the nature of the budget that was tabled by the Minister of Finance.

The Organisation submitted to the Committee that there are serious challenges in municipalities that is caused by the mismatch in the allocation of funds. These challenges are a consequence of the unfunded mandates within municipalities. It further submitted that unfunded mandates result in the compromise of critical service provision in municipalities, and it also indicated that it is unfortunate that the end-users are found at the receiving end of the crisis. It reminded Parliament on the provisions of Section 214 (1) of the Constitution of the Republic of SA which states “An Act of Parliament must provide for –

- a) the equitable division of revenue raised nationally among the national, provincial and local sphere of government, and*
- b) the determination of each province`s equitable share of the provincial shar of that revenue*

It submitted that Parliament is the Constitutional authority that is mandated to decide on the division of revenue and that this is a very important prerogative. BGI emphasised that the share must be equitable and that the Parliament’s 9.4 per cent division of national raised revenue to local government is not enough and will not meet the intended purpose, considering the existence of the unfunded mandate challenges in municipalities.

The main thrust in BGI’s submission was the negative impact of the unfunded mandate on the functionality of municipalities. It submitted that municipalities cannot meet their set of

mandated functions because they provide services that they were not initially meant to provide and this results in many municipalities being unable to have clean fiscal outlook. The Organisation highlighted to the Committee that services that are mostly affected are the water infrastructure maintenance; roads and storm water, electricity reticulation; waste removal and maintenance of the public spaces. BGI submitted that there must be accountability in municipalities in order for them to function effectively. It further indicated that municipalities that cannot build institutional capacity cannot retain officials with requisite skills that are able to guide properly and help in the maintenance of the municipal infrastructure.

Better Governance Initiative submitted to the Committee that it has conducted a community survey and based on the community survey, 82.1 per cent of the respondents support government funding that is accompanied by accountability. In view of this, the BGI implores on Parliament to demand for accountability from municipalities when allocations are made for service delivery.

▪ **Call for correcting the Equitable Share**

BGI calls on the Committee to advocate for the correction of the Provincial Equitable Share and submitted that this is an economic argument. Successful correction of the PES will, in the view of BGI, assist in the investment on the needed infrastructure because businesses will prefer to be in the areas where water supply is reliable.

In conclusion, BGI submitted the following recommendations to the Committee:

- The Committee must reflect on accepting the current Division of Revenue Bill, cautious of the need to increase the local government equitable share and note that the current share does not reflect the equitable division of nationally raised revenue.
- If the Committee amends the current budget, it should propose for the increase in the local government equitable share in percentage and the amount proposed in the submission being an upward revision to approximately 10.9 percent.
- That if full R30 billion correction is not desirable or achievable in the 2026/27 financial year, parliament should adopt the maximum correction within a net-neutral fiscal corridor where both the national and provincial spheres end at or above their 2025/26 revised estimates with an allocation to the corrected amount over the MTEF.

- The Committee should amend the Appropriation Bill to reflect consequential reduction in national and provincial allocations required to give effect to the recommendation that is consistent with the neutral fiscal framework.

Furthermore, the BGI apprised the Committee of the available options, and these options include amongst others:

- Doing the reallocation within the existing fiscal framework, so that the local government share increases and both national and provincial shares end at or above their 2025/26 revised estimates.
- Expand the fiscal envelope to increase borrowings or asset disposal to fund the correction.
- Convert the existing conditional grants to unconditional equitable share. This is an important supplementary instrument particularly for the outer year of the MTEF adjustments towards the 17.8 per cent target.
- For the Committee to do nothing.

12.4. Inanda Community Organization represented by Mr Muziwokuthwala Nzama

Inanda Community Organization premised its submissions on its perceived gaps on the current the current budget allocations. It contended that these gaps are likely to have a bearing on the sustainability of the community development, community infrastructure and may perpetuate economic exclusions of the township economy. The following specific issues were raised by the Organisation:

- **The Maintenance Gap**

The organisation submitted that it has observed that the budget prioritises capital expenditure through the *Municipal Infrastructure Grant*, whereas there is no ring-fenced allocation for the immediate maintenance and security of the assets. The Organisation was of the view that, this may lead to key infrastructure like water pipes and electric lights to be lost due to vandalism because there is no provision of security for these infrastructure assets. Furthermore, the Organisation proposed that the Committee must amend the *Conditional Grants Frameworks* to mandate that 15 per cent of all Infrastructure grant must be utilized for a 'preventative maintenance and security Fund.

- **Review of the Local Government Equitable Share Formula (LGES)**

The organisation indicated that it had made an observation that the formula relies on population density, not on the rural urban disconnect. It submitted that the this disconnect is where there is rapid urbanisation in the townships and this narrows service delivery in the affected areas where people had migrated in big numbers. The organisation proposed that an “Area-Based Growth Top-Up” should be considered within the LGES to demonstrate growth rates above 5 per cent annually to ensure that the social wage reaches the new entrants and most vulnerable residents in the informal settlements and expanding villages.

- **Youth empowerment and service delivery**

The organisation made observation that the budget allocates significant funds for `institutional support` and that youth-led enterprises are largely excluded from the municipal supply chain for basic maintenance. In view of this, it proposed the introduction of a “Community-Led Service delivery” clause in the Equitable Share guidelines to encourage municipalities to `web` business model in which young entrepreneurs are empowered to manage decentralised services.

13. Public oral submissions on the 2026 Division of Revenue Bill [B5—2025]

The section provides a summary of the oral submissions the Committee received during the public hearings at Durban Westville Civic Centre, eThekweni Metropolitan Municipality in KZN.

The submissions were received from members of the society, Non-Profit Organizations (NPOs) and community structures in the eThekweni District Municipality. Issues that were raised on the budget relate to the Bill’s shortcomings in responding to the challenges of crime, housing, provision of healthcare services, infrastructure and education services.

- **Prevalence of crime and policing inefficiencies**

Communities within the eThekweni Metropolitan Municipality complained about the poor policing that has increased the level of crime in the area. Drugs and vandalism were cited as common crimes and the community complained about the slow or the absence of police

response to crimes that were reported in the area. Ms Linda Mgadi of Ward 16, Verulam, made submissions to the Committee that the police delay instead of responding to crime reports on time, and this was also supported by Mr Siyabonga.

- **Education, social and healthcare services**

Mr Siyabonga, from Ward 6 informed challenges linked to funding of the ECDs in the province especially in the eThekweni Metropolitan Municipality. He indicated that this area is not adequately funded, and the budget should at the least, address the plight of the children who should ideally enjoy the benefits through the early childhood education.

Ms Nicki van't Riet of BOSA submitted to the Committee that the KZN province has a serious challenge in the provision of scholar transport. She further submitted that learners travel for a long distance on foot because there is no scholar transport in the areas that are far apart. She highlighted that these challenges were the results of insufficient funding in education for learners across the nine provinces. She called for the government to reconsider allocating more funds for scholar transport. She gave an example of learners who cover a wide distance to school, and these learners are from Matsebo Primary School. Consequently, some of these learners in the affected schools end up missing lessons because either they arrive very late in school or they do not attend at all due to the unreliability of scholar transport services.

Ms Nomkhoso Sibisi of Abahlalibasemjondolo, also representing the Budget Justice Coalition complained about the poor infrastructure (*also housing challenges*). In addition, Ms Xolisile Mbana appealed for the Department of Health to provide rural communities with mobile clinics for communities to access primary healthcare.

Regarding the grants, Ms Beyilisiwe Mbeyu appealed to the Committee that it should assist in making the SRD Grant available to deserving individual. She submitted that that it is unfair for convicts and criminals to access three meals a day whilst law abiding citizens are not entitled to the same privilege as the law-abiding citizens.

The challenges faced by people living with disabilities in accessing public services like transports, healthcare, and education was also emphasised by community members.

- **Housing, Water and Sanitation**

Mr Thamsanqa Dumisa made submission to the Committee on the concern that the KZN province is being neglected because there is insufficient funding for the electrification of houses. Other community members complained about the infrastructure neglect. They indicated that the roads are not tarred or maintained and it becomes problematic when roads are wet due to inclement weather conditions. This is always compounded by the recurrent natural disasters in the province where people are not catered for after the natural disasters in some low-lying areas.

Ms Mgadi complained about the budget not being able to make provision for the provision of water tankers in Verulam Ward 16 and other areas across the eThekweni Metropolitan Municipality and this limited their rights of access to water. She proposed that the budget should allow for the procurement of more water tanks and the trucks that will assist in the provision of the water services.

Mr Jafta from Ward 17 made a submission to the Committee that he had been sent from pillar to post by the municipal officials when he enquired about the house that he was allocated to, only to realise that someone else had occupied it for several years. He indicated that the municipality does not help in the housing challenge and instead, some corrupt officials engage in selling and reselling the houses that are meant for the rightful beneficiaries. He appealed to the Committee to ensure that housing is featured in the budget allocation.

▪ **Call for economic activity and Youth Employment Initiatives**

Abahlalibasemjondolo raised a concern on the lack of economic activity. They advanced an argument that local economic activity must be based on the precondition of the availability of land. Ms Nomkhoso Sibisi also indicated that the budget must cover the issue of land redistribution to the deserving communities and individuals. These people will be able to engage in small-scale farming and start small businesses for economic empowerment.

The Department of Home Affairs and Social Development were cited as not being helpful in the drive to reduce poverty and create employment. Ms Xolisile Mbanda submitted that she runs a Non-Profit Organization that offers meal to HIV positive patients and does not get any support from the department of Social Development. She indicated that she used to get assistance from businesses, but businesses cannot help anymore and she is now running out of options.

Furthermore, she also indicated that they have volunteered to help with the processing of applications for the Identity Documents with the Department of Home Affairs, but they are not incentivised and she made an appeal for the Committee to consider making representations for intervention in this regard. Mr Siphon Gumede told the Committee that foreign nationals must be made to pay tax as they charge the South Africans tax in their countries of origins, whilst they themselves do not pay tax in South Africa. He further submitted that they are engaged in illicit trade and continue to put a strain on the finances of the country so they must contribute to raising the revenue.

- **Call for Accountability**

Ms Slindile and Ms Pam Taylor from the Dr Sam foundation submitted that Parliament only conducts the Public Participation to tick the box instead of providing answers on the budget and the utilisation of the Contingency Reserves. She asked why the current budget indicated the low Contingency Reserves. She asked the Committee to explain measures that are taken when the budget allocation does not meet the intended purpose. She also asked the Committee to explain the steps that are taken to ensure that the procurement services become accommodative and transparent for all.

Mr Telanu Xulu from Tugela River called on the Committee to ensure that public participation on the budget translates into tangible and actionable results. Furthermore, he called on the Committee to follow the money and ensure that targets are met in accordance with the intended purpose for allocation. On the other hand, Ms Xolisile Mbana called for the Committee to assist in the fight against corruption because the budget ends up in the wrong hands, officials are reported to divert the budget for their personal benefit and there is no action taken against them and none one holds the accountable.

14 Findings and Observations

Having deliberated and considered all the submissions made by the above stakeholders on Division of Revenue Bill (B5—2026), the Standing Committee on Appropriations makes the following findings and observations:

- 14.1 The Committee notes and welcomes the withdrawal of the R20 billion tax increases that were previously pencilled in for the 2026 Budget, including the inflationary adjustments to personal income tax brackets and medical tax credits, after two years with no inflationary relief. The Committee is still of the view that rather than taxing the already available tax base, government must consider investing more resources and exploring other available tax revenue raising measures like additional tax on online gambling curbing illicit financial flows, increasing tax compliance and enhancing measures for identifying offshore hidden assets owned by South Africans.
- 14.2 The Committee calls for urgency in the consultation and finalisation of the review of the 1998 White Paper on Local Government along with the Local Government Fiscal Framework in order to conclude on the issues related to local government funding and bring about certainty.
- 14.3 The Committee notes that non-interest expenditure decreases by a net R19.4 billion in 2026/27 and 2027/28 compared with the 2025 Budget, mainly because baselines have been rebased to align with the lower medium-term inflation outlook. While nominal increases are provided in key function groups such as health, basic education and police services, these allocations remain insufficient to address critical structural backlogs, according to the PBO. The PBO further observed that real per capita spending is declining marginally over the medium term. This could place pressure on public services.
- 14.4 The Committee notes that priority spending increases have largely been funded through savings yielded by improved targeting and reducing fraud in the social grants system, as well as by the scaling down of the *public transport network grant*. The Committee notes that the PTNG has not yielded sufficient increases in ridership to justify new investment in the system, with government committing to continue to fund indirect costs in those cities that operate bus services on integrated public transport networks. However, the Committee remain concerned about the consistent diversion of funds meant for the accelerated construction and improvements of public motorised and non-motorised transport infrastructure that forms part of the municipal public transport network. Given that government is proposing the utilisation of implementing agents where municipalities are failing to deliver the required services, infrastructure in particular, the Committee is also of the view that this option should have also been explored given the importance of this grant as clearly highlighted in the grant framework.

- 14.5 The Committee notes that out of the savings of R12 billion over the medium term realised through TARS, a significant portion of the savings identified in public transport is shifted to the Passenger Rail Agency of South Africa's (PRASA's) Metrorail service, which aims to increase ridership from 116 million passenger trips in the current year to 450 million by 2028/29.
- 14.6 The Committee notes that of the total funds available after providing for debt-service costs and the contingency reserve, 48.2 per cent is allocated to national government, 42.3 per cent to provincial government and 9.5 per cent to local government over the 2026 MTEF.
- 14.7 The Committee notes that direct national transfers to provinces are projected to grow by an annual average of 3.4 per cent, from R788.8 billion in 2025/26 to R872.4 billion in 2028/29. In 2026/27, including R670.3 billion for the provincial equitable share and R140.2 billion for conditional grants, which includes an unallocated amount of R157 million for the *provincial disaster response grant*.
- 14.8 The Committee notes and welcomes the proposed allocation of R342 million added to the provincial equitable share over the MTEF to cover the progressive equalisation of the remuneration of Grade R teachers in provinces, a sentiment that is also shared by COSATU.
- 14.9 The Committee notes the proposed reprioritisation from various parts of government to continue with the implementation of the Presidential Employment Stimulus. Reprioritising R503 million from the *education infrastructure grant* and a proposed amount of R747 million from the *provincial roads maintenance grant* to continue funding the Presidential Employment Stimulus which was introduced in 2020. Given the high levels of unemployment and poverty in South Africa, the Committee supports job creation initiatives by government. However, the Committee would like to emphasise on the need for government to evaluate this important Presidential initiative to evaluate its efficacy, understand if it really adds value for money and is achieving its intended objectives. The Committee is of the view that this programme should also be subjected to the same evaluations offered by TARS.

- 14.10 The Committee notes and welcomes the proposed reprioritisation of R800 million in 2026/27 from the *early childhood development grant* to make funding available to protect the national school nutrition programme and *learners with severe to profound intellectual disabilities grant* from inflationary adjustments and to progressively fund the equalisation of remuneration for Grade R educators in the education sector.
- 14.11 The Committee notes the proposed additional allocation of R1.5 billion to the *provincial roads maintenance grant* in 2026/27 to fund the carry-through costs of the disasters that occurred between April 2024 and June 2025, for the reconstruction and rehabilitation of provincial infrastructure damaged by rainfall, flooding, thunderstorms, and strong winds. Given the limited nature of revenue raising capabilities by provinces and the current state of some of the provincial roads network, and the damages that are caused by natural disaster to the roads infrastructure, the Committee welcomes this proposed allocation. However, given these realities, the Committee is concerned that that a proposal is made to reprioritise an amount of R747 million from the *provincial roads maintenance grant* to continue with the implementation of the Presidential Employment Stimulus.
- 14.12 The Committee notes that having taken the revisions to the local government fiscal framework into account, R566.9 billion will be transferred directly to local government and a further R23.8 billion has been allocated to indirect grants, with direct transfers to local government over the medium-term accounting for 9.5 per cent of national government's non-interest expenditure.
- 14.13 The Committee notes and welcomes that the 2026 Budget strengthens delivery by expanding the suite of implementing agencies that can be used where municipal capacity constraints undermine project execution, enabling infrastructure grants to be implemented through capable intermediaries. Even though the Committee supports initiatives aimed at improving service delivery within the local government sphere, however it wishes to caution national government against interfering on the Constitutional responsibilities of local government, as this could potentially trigger intergovernmental disputes.
- 14.14 The Committee notes and welcomes the proposed shifting of R300 million in 2026/27 from the *municipal infrastructure grant* to the Department of Cooperative Governance's

vote for the once-off gratuity payment to outgoing councillors after the local government elections. The Committee supports this once-off gratuity payment to the public representatives. However, given the state of infrastructure in many municipalities, the Committee is concerned about the shifting of funds from the *municipal infrastructure grant*.

14.15 The Committee notes the concerns of the FFC that additional allocations amounting to R1.9 billion for the 2026/27 financial year are calculated outside the PES formula, undermining the principles of transparency and predictability. The Committee further notes the concerns of the FFC about how such non-earmarked funds would be monitored by government to ensure utilisation of these funds for their intended purpose. Furthermore, the FFC is concerned that this practice creates fiscal uncertainty among provinces and may lead to intergovernmental fiscal tensions and disputes.

14.16 The Committee notes and welcomes the recommendation by the FFC that that the National Treasury and the Department of Cooperative Governance and Traditional Affairs formally assess the first-year implementation of the performance-based urban development component of the UDFG and determine whether measurable improvements in asset management, project execution and financial sustainability have been realised in metropolitan infrastructure management, particularly in water, sanitation, electricity and waste services. The Commission further recommended a consolidated impact assessment of the cumulative reductions and reprioritisations across infrastructure grants, to determine the full implications for service delivery and infrastructure backlogs in rural and fiscally constrained municipalities.

14.17 The Committee notes and welcomes the recommendation by SALGA that Parliament should ensure that scenario and modelling implications of the Draft White Paper on Local Government and the LGFF review inform budget proposals in the medium-term before proposals are finalised.

14.18 The Committee notes the submission by SALGA that deepening poverty, high levels of unemployment and household affordability constraints reduce municipal revenue-raising capacity. Furthermore, the Committee notes the concerns raised by SALGA that local government remains structurally underfunded and that the 2026 Division of Revenue Bill contains no visible indication of the reform commitments contained in the Draft White

Paper on Local Government and the LGFF review process being reflected in the medium-term allocations.

- 14.19 The Committee notes the submission by SALGA that mandates transferred to municipalities without accompanying funding continue to distort municipal budgets. Drawing on evidence from the FFC and the PBO, SALGA estimated total unfunded mandates at R31.4 billion per year. The most severely underfunded mandates include libraries (R7.2 billion), municipal health services (R6.1 billion), fire services and disaster response (R4.7 billion) and housing accreditation functions (R8.5 billion). SALGA submitted that municipalities are consequently forced to redirect scarce funds from infrastructure investment to the provision of provincial functions. Given the delays in accurate census data and inaccurate migration pattern data, compounded by undocumented foreign nationals, the Committee agrees with SALGA that the LGES should begin to accommodate all these unfunded mandates that without reliable funding, eventually depletes the limited resources available to municipality, poor municipalities in particular.
- 14.20 The Committee notes with concerns the extent of the severity of the impact on the exclusion of deserving learners from the use of the scholar transport services. The Committee is of the view that this is in violation of their Constitutional right to access education. The reported long distances travelled by learners without access to the scholar transport, learners arriving late at schools and learners missing classes because of the unavailability of the scholar transport is a cause of concern to the Committee and by extension to Parliament. The Committee is of the view that if the scholar transport policy is a policy of government, funding must then be reprioritised to fund this policy given that the beneficiaries are young children who are the future of the country.
- 14.21 The Committee notes with concerns the federalisation of funding for both the health and education sectors and is of the view that this practice must be reviewed as the impact of budgets allocated and provinces making unilateral decisions on spending often can have differentiated experiences of funds spent in both health and education. The system needs to make allocation for migration patterns that occur of both learners and patients in the allocation of services. The Committee call on both the Ministers of Basic Education, the Minister of Health and the Minister of Finance to review the extent to which allocated

funds are left at the discretion of provinces on how to spend these funds, particularly in these sectors.

14.22 The Committee notes and welcomes government's objective of maintaining fiscal sustainability. However, the Committee is of the view that this must be accompanied by stronger accountability, improved spending efficiency and a clear shift toward performance-based funding.

15 Recommendations

Having deliberated and considered all the submissions made by the above stakeholders on Division of Revenue Bill (B5—2026), the Standing Committee on Appropriations recommends as follows:

15.1 That the Minister of Transport and the Minister of Basic Education ensure that the Department of Transport and the Department of Basic Education in consultation with the National Treasury speedily finalise the policy framework for the funding of scholar transport, to provide both clarity and certainty on the full implementation of this government policy. Furthermore, this policy framework must give a comprehensive scholarship transport plan and its funding modalities. To avoid learners' fatalities on the road and safeguard the 13 million learners in SA, and the policy must also provide clarity on the frequency in which scholar transport vehicles are to be inspected to determine their roadworthiness and apply minimum standards for scholar transport, thereby safeguarding the lives of learners. The committee further recommends that the scholar transport implementing departments should be uniform in all nine provinces.

15.2 That the Minister of Finance ensures that as part of government's intervention in municipalities, National Treasury consultation with both COGTA and SALGA, review all the debt owed to municipalities by government institutions (national and provincial), including SOEs and Public Entities. Where there is undisputed evidence, National Treasury should consider amending the drawing schedules and directly pay municipalities from the transfers to government institutions in case municipal debts are not settled by government institutions.

- 15.3 That the Minister of Finance ensures that as part of the National Treasury proposals for municipal reforms, National Treasury provides sufficient funding for the roll-out of the Smart Meters Grant Programme to arrest the rising debt owed to municipalities.
- 15.4 The Minister of Finance and the Minister of Minerals and Energy ensure that the Department of Minerals and Energy and National Treasury initiate the process of reviewing the fuel levy regime. Given the impact of every fuel levy increases on the economy and overall current geopolitical shifts around energy, this process must be undertaken urgently and in a transparent manner.
- 15.5 That the Minister of Finance ensures that National Treasury and government begin to model climate change, its impact and funding requirement for the near future. The Committee is of the view that properly modelling of natural disasters will allow government to properly budget for these events. The Committee is strongly of the view that climate change and climate related disasters cannot be funded sustainably from the contingency reserve. Predictive modelling techniques will allow government to accommodate climate change and its related disasters into the normal government budget processes. This will also subject such funding to the normal required scrutiny of both Parliament and the Public. The Committee is strongly of the view that the utilisation of Section 16 of the PFMA and the Contingency Reserves for climate related disasters does not provide reliable and transparent solutions to climate related disasters.
- 15.6 That the Minister in the Presidency, responsible for monitoring and evaluation ensures that the Department of Planning, Monitoring and Evaluations in consultation with the National Treasury must evaluate the Presidential Employment Stimulus since its inception in 2020, evaluate its efficacy, understand if it really adds value for money and is achieving its intended objectives. The Committee is of the view that this programme should also be subjected to the same evaluations offered by TARS.
- 15.7 That the Minister of Finance ensures that National Treasury provide a comprehensive report on all the proposed allocations on Bill made outside the equitable share formula. The comprehensive report should include the rationales and the methodology used to decide on these proposed allocations.

- 15.8 That the Minister of Finance and the Minister of Cooperative Governance and Traditional Affairs ensure that National Treasury and the Department of Cooperative Governance and Traditional Affairs conduct a comprehensive assessment of the first-year implementation of the performance-based urban development component of the UDFG and determine whether measurable improvements in asset management, contract management, project execution and financial sustainability have been realised in metropolitan infrastructure management, particularly in water, sanitation, electricity and waste services.
- 15.9 That the Minister of Finance and the Minister of Cooperative Governance and Traditional Affairs ensure that National Treasury and the Department of Cooperative Governance and Traditional Affairs provide a comprehensive, evidence-based report to Parliament on how best government is planning to fund the unfunded mandates in local government within the normal government budget processes.
- 15.10 That the Minister of Finance ensures that National Treasury consider introducing performance-linked components in intergovernmental transfers. National Treasury should consider developing and implementing a framework to link a portion of conditional and unconditional transfers to measurable performance indicators, including financial management, infrastructure delivery and audit outcomes.
- 15.11 That the Minister of Finance ensures that National Treasury present to Parliament a comprehensive plan to stabilise and manage the public service wage bill while ensuring that ensuring that wage bill growth does not continue to crowd out critical service delivery and infrastructure spending.
- 15.12 That the Minister of Finance ensures that National Treasury report to Parliament the full cost benefit analysis of involving implementing agents like DBSA to roll out infrastructure projects on behalf of municipalities while ensuring that maximum funding reaches actual infrastructure delivery rather than administrative overheads. The Minister of Finance must ensure that National Treasury reports to Parliament bi-annually.
- 15.13 That the Minister of Finance ensures that National Treasury considers extending the TARS to SETAs, SOEs, and Municipalities to achieve savings similar to the savings that yielded from the improved targeting and the reduction of fraud in the social grants system,

as well as by the scaling down of the *public transport network grant*. The Committee is strongly of the view that if this model was to be extended and implemented fully within local government, supported by building internal state capabilities, including provinces, huge amounts in savings can be realised that can be re-invested in other pressure points within local government.

16 Committee Recommendation on the Bill

The Standing Committee on Appropriations, having considered the Division of Revenue Bill [B5—2026], (National Assembly) referred to it and classified by the Joint Tagging Mechanism (JTM) as a Section 76 Bill, recommends that the Bill be adopted, without amendments.

17 Conclusion

The responses by the relevant Executive Authorities, to the recommendations as set out in section 15 above, must be sent to Parliament within 60 days after the adoption of this report by the National Assembly.

Report to be considered.

2. REPORT OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE SPECIAL APPROPRIATION BILL [B3 – 2026] (NATIONAL ASSEMBLY – SECTION 77), DATED 17 APRIL 2026

Having considered the Special Appropriation (2025/26 Financial Year) Bill [B3 – 2026], referred to it in terms of Section 13 of the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 (as amended by the Money Bills Amendment Procedure and Related Matters Amendment Act, No. 13 of 2018), the Standing Committee on Appropriations reports as follows:

1. Introduction

Section 213(2) of the Constitution of the Republic of South Africa provides that money may be withdrawn from the National Revenue Fund only in terms of an appropriation by an Act of Parliament. The 2026 Special Appropriation (2025/26 Financial Year) Bill (the Bill) proposes that additional funds be appropriated in the 2025/26 financial year for the requirements of the State, and to provide for matters connected therewith. The Bill proposes additional funding to Vote 2 (Parliament), Vote 5 (Home Affairs), Vote 8 (National Treasury), Vote 30 (Communications and Digital Technologies), and Vote 40 (Transport).

In executing its mandate, the Standing Committee on Appropriations, hereinafter referred to as the Committee, is established in terms of section 4(3) of the Money Bills Amendment Procedure and Related Matters Act, 2009 (as amended in 2018), and herein referred to as the Money Bills Act.

The Bill was tabled by the Minister of Finance on 25 February 2026 during the presentation of the 2026 Budget. The Bill was referred to the Committee for consideration and report to the National Assembly as prescribed in section 13 of the Act. The Committee invited National Treasury to brief it on the Bill in its entirety. Furthermore, section 4(4)(c) of the Act also requires the Committees on Appropriations of both Houses to consult with the Financial and Fiscal Commission (FFC). In addition to consulting with the FFC, the Committee also invited the Parliamentary Budget Office (PBO) to comment on the Bill.

Section 13(2) of the Act also requires the Committees on Appropriations to hold public hearings on the Bill and for the Committee to report to the House on the comments and amendments to the Bill. To this end, adverts calling for public submissions on the Bill were published on the Parliamentary website and social media platforms on 10 March 2026. Furthermore, advertisements calling for public comments on the Bill were made on national newspapers in all official languages from 08 March 2026 to 16 March 2026 and on the two radio stations, SAFM and Ukhozi FM from 12 to 17 March in the morning. The Committee held public hearings on 17 March 2026 at Westville, KZN. In addition, the Committee received written and oral submissions from the following individuals and organisations for consideration:

- Congress of South African Trade Unions;
- Amandla.mobi

2. Provisions of the Bill

The Bill proposes to allocate funds from the from the National Revenue Fund for the 2025/26 financial year in two separate Schedules.

- **Schedule 1** of the Bill proposes that an amount of R13.519 billion be appropriated from the National Revenue Fund for the 2025/26 financial year for expenditure approved in terms of section 6(1)(c) of the Appropriation Act, 2025 (Act No. 3 of 2025). These proposed allocations forms part of the proposed allocation allocations that were announced in the 2025 Adjustments Budget as part of the contingency reserve. Furthermore, it is proposed that this allocation despite the effective date of this Act, this proposed appropriations and the expenditure thereof, incurred by 31 May 2026, must be regarded as appropriations and expenditure for the 2025/26 financial year. Furthermore, it is proposed that a request for roll-over envisaged in the Public Finance Management Act, 1999 (Act No. 1 of 1999), of any unspent funds of this proposed allocation may be submitted to the National Treasury on or before 5 June 2026.
- **Schedule 2** of the Bill proposes that amount of R8.498 billion be appropriated from the National Revenue Fund for the requirements of the State in the 2025/26 financial year. This is a proposed special appropriation in terms of section 73(2) of the Constitution for expenditure that could not be reasonably delayed.

2.1. Schedule 1: Expenditure authorised in terms of section 6(1)(c) of the 2025 Appropriation Act

Schedule 1 of the Bill propose to appropriate R13.519 billion from the National Revenue Fund for the 2025/26 financial year for expenditure approved in terms of section 6(1)(c) of the Appropriation Act, 2025 (Act No. 3 of 2025). These proposed allocations were announced in the 2025 Adjustments Budget as part of the contingency reserve. The proposed allocations are as follows:

Table 1: Schedule 1 Proposed Allocations

Vote	Purpose	Amount (R'000)
Vote 2: Parliament	Provide the support services required by Parliament to fulfil its constitutional functions, assist political parties represented in Parliament to secure administrative support and service constituents, and provide members of Parliament with the necessary facilities.	2 081 241
Vote 5: Home Affairs	Electoral Commission of South Africa: 2026 local government elections.	1 116 024
Vote 8: National Treasury	Credit Guarantee Vehicle: Contribution to capitalisation.	1 800 000
Vote 30: Communications and Digital Technologies	Sentech: Dual illumination costs.	189 000
Vote 40: Transport	DBSA Infrastructure Fund: North Corridor Reinstatement Project (R4 937 000) and Iron Ore Corridor (R3 396 000)	8 333 000
Total		13 519 265

Source: National Treasury [2026 Special Appropriation Bill]

2.2. Schedule 2: Section 73(2) of the Constitution expenditure that could not be reasonably delayed.

Schedule 2 of the Bill appropriates R8.498 billion from the National Revenue Fund for the requirements of the State in the 2025/26 financial year. This is a proposed special appropriation in terms of section 73(2) of the Constitution for expenditure that could not be reasonably delayed. The proposed allocations are as follows:

Table 2: Schedule 2 Proposed Allocations

Vote	Purpose	Amount (R'000)
Vote 8: National Treasury	World Bank Group: Purchase of shares in International Finance Corporation.	1 000 000
Vote 30: Communications and Digital Technologies	Sentech: Operations.	700 000
Vote 40: Transport	Passenger Rail Agency of South Africa: Rolling stock fleet renewal programme.	5 777 546
	Development Bank of Southern Africa: Infrastructure Fund: Durban Container Terminal: Berth 203 – 205 reconstruction, deepening and lengthening.	1 020 000
Total		8 497 546

Source: National Treasury [2026 Special Appropriation Bill]

3. Comments and hearings on the Bill with identified and interested stakeholders

The sections below provide an overview of the submissions made by the identified as well as interested stakeholders in response to the published advertisement.

3.1 Financial and Fiscal Commission

The Financial and Fiscal Commission (FFC) gave an overview of the purpose of the Bill and submitted that the Bill appropriates R8.498 billion from the National Revenue Fund for state requirements in the 2025/26 financial year. The FFC submitted that the majority of the funds, amounting to R6.8 billion, are directed toward the Transport Vote. This includes R5.8 billion for PRASA's rolling stock renewal programme. The FFC further noted that the Bill includes R1.8 billion for PRASA to meet its contractual obligations under an agreement with Gibela, which requires a minimum order of 35 locomotives per annum.

With regard to the allocation of R700 million directed to the Department of Communications and Digital Technologies for the operations of state-owned signal distributor Sentech, the FFC submitted that this allocation comes amid an ongoing dispute between Sentech and the South African Broadcasting Corporation over a protracted backlog of unpaid distribution fees, amounting to approximately R1.6 billion. The FFC further submitted that R1 billion is allocated for South Africa's share subscription to the International Finance Corporation.

Given PRASA's history of procurement irregularities and financial mismanagement, the FFC recommended that Parliament, through its Portfolio Committee on Transport and the Standing and Select Committees on Appropriations, exercise rigorous oversight over PRASA's R5.8 billion allocation for rolling stock renewal, including the R1.8 billion for contractual obligations with Gibela, and monitor measurable progress toward increasing annual passenger trips.

3.2 Parliamentary Budget Office

The PBO submitted that the 2025/26 Special Appropriation Bill provides for expenditure announced in the 2025 MTBPS and additional spending pressures, with a total appropriation of R22.017 billion. The PBO submitted that the focus of the Bill is mainly on economic infrastructure. The PBO submitted that approximately 69 per cent of the total allocation is directed toward rail, port and freight corridor upgrades. A further 14 per cent is allocated to financial investments and guarantees aimed at leveraging private sector infrastructure financing, and approximately 9 per cent is allocated to ICT and digital broadcasting support.

With respect to rail and freight corridors, the PBO submitted that the largest share supports PRASA rolling stock and DBSA-managed freight corridors, targeting key export and logistics bottlenecks. The PBO further submitted that the R1.116 billion allocation for the Independent Electoral Commission is a once-off constitutional cost to ensure credible 2026 local government elections.

The PBO submitted that the Credit Guarantee Vehicle capitalisation and the International Finance Corporation share purchase aim to crowd-in private investment and deepen blended finance architecture. However, the PBO cautioned that weak implementation capacity, delivery delays, and rising contingent liabilities from guarantees remain central fiscal risks.

The PBO submitted that the success of the Special Appropriation hinges on governance quality, project execution, measurable service delivery, and oversight. It emphasised that Parliament is to ensure that budgets align with the 7th Administration's priorities as per the Medium-Term Development Plan, are supported by robust sector plans and monitoring systems, and that continuous reprioritisation, informed by reviews, is essential to address evolving socioeconomic realities. The PBO further submitted that the Bill should be assessed not only on the proportions allocated to each sphere and vote but also on its potential impact on service delivery, inequality reduction, and economic development.

3.3 Congress of South African Trade Unions

The Congress of South African Trade Unions (COSATU) welcomed the proposed allocation of R2.08 billion for the rebuilding of Parliament, R1.16 billion for holding local government elections, R8.33 billion for investments in Transnet's North and Iron Corridors, R5.77 billion for Metro Rail for rolling stock renewal, and R1.02 billion for Durban Container Terminal investments.

COSATU submitted that investments in Transnet will have a critical impact upon unlocking the mining, manufacturing and agricultural sectors and jobs, and that these investments will help boost economic growth and employment. COSATU further submitted that, whilst government is reluctant to provide further debt relief to state-owned enterprises, Transnet should be assisted to settle its debt to free up capital for the modernisation of its port and railway network, as these investments will unlock key economic sectors and create thousands of badly needed jobs while boosting state revenue. COSATU further submitted that the infrastructure support for Metro Rail will boost its efforts to return to full capacity and

enable 10 million workers and commuters to travel quickly and cheaply. COSATU called for continued support for Eskom, Metro Rail, the SABC and other state-owned enterprises, and urged urgent and ramped up support for Transnet.

Notwithstanding its support for the allocations in the Bill, COSATU expressed serious concern that, in its view, government has once again prioritised fiscal consolidation at the expense of a bold stimulus package that would strengthen public and municipal services, spur economic growth, boost employment, provide relief for the poor and unemployed, and ramp up tax compliance.

3.4 Amandla.mobi

Regarding the broader budgetary context within which the Special Appropriation Bill is situated, Amandla.mobi submitted that the 2026 Budget fails to address the lived realities of the marginalised majority, and that the government is normalising economic stagnation given that the economy has consistently recorded annual growth below 2 per cent between 2009 and 2025.

Amandla.mobi submitted that the R1.7 trillion allocated to infrastructure through the 2026 Budget is a bold move, but it means little if there are no clear plans and proper metrics to measure return on investment. The organisation cautioned that, based on the government's track record, the public cannot trust that these funds will be utilised responsibly and that allocation alone is not sufficient to address the immediate pressing issues facing communities.

Amandla.mobi called on the Committee to encourage transformative budgets that will result in an economy that creates sustainable jobs and lifts people out of hunger and poverty. The organisation further called for balancing the books and stabilising debt not to be pursued at the expense of the most vulnerable members of society.

4 Committee Findings and Observations

Having deliberated and considered all the submissions made by the above stakeholders on the Special Appropriation Bill [B3 – 2026], the Standing Committee on Appropriations makes the following findings and observations:

- 4.1** The Committee notes and welcomes the Bill proposed allocation of R13.519 billion for the 2025/26 financial year for expenditure approved in terms of section 6(1)(c) of the Appropriation Act, as part of the allocation allocations that were announced in the 2025 Adjustments Budget as part of the contingency reserve.
- 4.2** The Committee notes and welcomes the proposed allocation of R8.498 billion be appropriated from the National Revenue Fund for the requirements of the State in the 2025/26 financial year and in terms of section 73(2) of the Constitution for expenditure that could not be reasonably delayed.
- 4.3** The Committee notes and welcomes the proposed allocation of R2.081 billion to the Vote of Parliament for the rebuilding of Parliament and the proposed allocation of R1.116 billion for the Electoral Commission of South Africa to fund the 2026 local government elections. The Committee recognises the latter as a once-off constitutional cost necessary to ensure credible local government elections.
- 4.4** The Committee notes and welcomes the proposed allocation of R1.8 billion for the capitalisation of the Credit Guarantee Vehicle and R1billion for the purchase of shares in the International Finance Corporation.
- 4.5** The Committee notes and welcomes the proposed allocation of R8.333 billion to the DBSA Infrastructure Fund for the North Corridor Reinstatement Project and the Iron Ore Corridor. The Committee is of the view that successful roll-out of rail infrastructure projects is critical for both short- and long-term economic growth.
- 4.6** The Committee notes and welcomes the proposed allocation of R5.778 billion for PRASA's rolling stock fleet renewal programme. Furthermore, the Committee notes the submission by the FFC that Parliament must exercise rigorous oversight over this allocation and monitor measurable progress toward increasing annual passenger trips. The Committee is of the view that the turnaround of PRASA and the restoration of commuter rail services is critical to enabling millions of workers and commuters to travel safely, efficiently and affordably.

- 4.7** The Committee notes the proposed allocation of R889 million to Sentech, comprising R189 million for dual illumination costs and R700 million for operations. The Committee further notes the FFC's submission that this allocation comes amid an ongoing dispute between Sentech and the South African Broadcasting Corporation over approximately R1.6 billion in unpaid distribution fees. The Committee calls on the relevant parties to resolve this dispute expeditiously to ensure the long-term sustainability of Sentech's operations.
- 4.8** The Committee notes the submission by the PBO that the success of the Special Appropriation Bill hinges on governance quality, project execution, measurable service delivery, and oversight. The Committee concurs that Parliament must ensure that these appropriations are aligned with the priorities of the 7th Administration as outlined in the Medium-Term Development Plan and are supported by robust sector plans and monitoring systems.

5 Recommendations

The Standing Committee on Appropriations, having deliberated and considered all the submissions made by various stakeholders on the Special Appropriation Bill [B3 – 2026], recommends as follows:

- 5.1** That the Minister of Finance and the Minister of Transport ensure that National Treasury and the Department of Transport jointly provide a comprehensive assessment report to Parliament on the ability of PRASA to effectively and economically spend the proposed allocations as envisaged in this Bill.
- 5.2** That the Minister of Transport ensures that the Department of Transport quarterly report to Parliament and the Standing Committee on Appropriations on progress made by both PRASA and DBSA on the roll-out of key rail infrastructure and the rolling stock renewal programme, as envisaged in this Bill, and that National Treasury apply conditions to the proposed allocations to mitigate risks of UIFWE and table these conditions before the Committee at the earliest opportunity.
- 5.3** That the Minister of Transport ensures that PRASA quarterly reports to Parliament on the disbursement and utilization of the proposed R5.8 billion allocation towards the PRASA rolling stock fleet renewal programme and contractual obligations to the Gibela contract, and that the drawing

schedule include conditions that must be met by PRASA before the transfers are made. Where conditions are not met, no further funding must continue.

5.4 The Minister of Communications and Digital Technologies ensure that Sentech and the SABC tables to Parliament a tangible business plan on their future sustainability without the reliance on government support.

5.5 The Speaker of the National Assembly ensures that Parliament provides a comprehensive report to the Standing Committee on Appropriations on actual expenditure and total estimated costs of the rebuilding Parliament. The Committee wants to satisfy itself both on the reasonability of these costs whilst ensuring that the projects are within its allocated budgets and that cost-overruns are avoided.

6 Committee Recommendation on the Bill

The Standing Committee on Appropriations recommends that the National Assembly adopts the Special Appropriation (2025/26 Financial Year) Bill [B3 – 2026], without amendments.

7 Conclusion

The responses to the recommendations as set out in section 5 above by the relevant Executive Authorities must be sent to Parliament within 60 days of the adoption of this report by the National Assembly.

Report to be considered.