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SPEAKING NOTES BY THE MINISTER OF FINANCE – MEDIA BRIEFING MUNICIPALITIES EQUITABLE SHARE

INTRODUCTION

- Fellow South Africans, members of the media; programme director, good morning.
- National Treasury will commence releasing the remaining withheld July 2026 Local Government Equitable Share transfers from 31 July 2026.
- The decision follows the comprehensive assessment process undertaken, including the active monitoring of compliance by the affected municipalities after National Treasury temporarily withheld transfers in terms of section 216(2) of the Constitution, read with the applicable provisions of the Municipal Finance Management Act, 2003 (MFMA).
- I wish to make it clear that the decision to release the remaining transfers does not mean that the affected municipalities have satisfied the requirements of the MFMA, the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, or the requirements previously communicated in my letters addressed to the respective mayors and the press statement released by the department earlier this month.
- The assessments undertaken by National Treasury identified material and continuing weaknesses in the management of unauthorised, irregular, fruitless and wasteful expenditure (UIFWE), financial misconduct investigations, disciplinary processes, consequence management and municipal financial governance.

THE RELEASE IS THEREFORE NOT BASED ON A FINDING OF COMPLIANCE

- Rather, National Treasury has decided to release funding on Friday 31 July 2026 because we have withheld it for close to 30 days which ends on Monday , 03 August, and to avoid having an adverse short- to medium-term effect on the delivery of basic municipal services.
- The equitable share is an important source of funding for basic services, particularly services provided to poor households. National Treasury must therefore balance its constitutional responsibility to enforce financial management requirements; with the need to avoid communities carrying the immediate consequences of failures by municipal institutions and officials.
- The release must accordingly be understood as a conditional release, intended to protect basic service delivery while requiring affected municipalities to correct the serious weaknesses identified through the section 216(2) process.

WHAT THE SECTION 216(2) PROCESS HAS DEMONSTRATED

- The section 216 (2) process has provided National Treasury with a clearer picture of the financial and governance position of the affected municipalities. The findings show that the challenges extend beyond isolated cases of UIFWE.
- They point to wider weaknesses in municipal budgeting, cash-flow management, financial oversight, accountability and consequence management. Of particular concern is the apparent disconnect between some municipal budget assumptions and the actual financial position revealed during the withholding process. The immediate financial pressure experienced following the temporary withholding raises questions about whether municipal budgets adequately reflect actual cash resources, credible collection rates, outstanding creditors, bulk-service obligations, employee costs and existing financial commitments.

- The section 216 (2) process has therefore also highlighted the need for greater scrutiny of the credibility and funding of municipal budgets.

SERIOUS GOVERNANCE AND ACCOUNTABILITY CONCERNS

- The assessments have also identified material weaknesses in municipal governance and oversight. National Treasury is concerned that, in a number of cases, Municipal Councils, Municipal Public Accounts Committees, accounting officers, senior managers, disciplinary boards and other municipal officials have not adequately performed the duties assigned to them.
- The failures include delays in processing UIFWE, weak or incomplete investigations, failures to obtain supporting evidence, failures to institute disciplinary proceedings and failures to implement consequence management. These findings raise serious concerns about whether all municipal decision-makers are acting in the best interests of their municipalities and the communities they serve.
- Municipal office-bearers and officials exercise powers over public resources. Those powers must be exercised lawfully, rationally and in the interests of the municipality and the public.
- A failure to investigate financial misconduct, a failure to act on UIFWE, an irrational decision relating to public funds, or an unjustified failure to institute disciplinary proceedings may require further assessment. National Treasury will therefore place greater emphasis on the conduct not only of persons responsible for the original expenditure, but also of officials and structures responsible for investigating, reporting and acting on that expenditure.

SINCE THE ENFORCEMENT PROCESS STARTED, TO DATE

- 20 municipalities received full Equitable Shares; and
- 49 municipalities will receive their outstanding Equitable Shares on Friday, 31 July 2026, of which 21 municipalities have received partial allocations, and 28 municipalities didn't comply and therefore didn't receive any allocations to date.

THE ROAD AHEAD IN PREPARATION FOR THE SAME PROCESS IN DECEMBER 2026

While the implementation of section 216(2) of the Constitution has been ongoing, with some municipalities receiving their withheld tranches in full or in part on a weekly basis, in consultation with my team, I have decided that all outstanding funding must be released by 31 July 2026, or on the next legally possible date in terms of the Constitution, to avoid a negative impact on service delivery, subject to the following:

- Letters to Premiers with strict conditions for consideration in withholding the December 2026 instalment of the Equitable Shares;
- Letters to both MECs for Finance and CoGTA with strict conditions for consideration in withholding the December 2026 instalment of the Equitable Shares; and
- A structured compliance programme will accompany the release. The first formal reporting deadline remains 30 September 2026, in accordance with my July 2026 letter.
  - ✓ Affected municipalities must submit the required quarterly reports and supporting evidence. They must also demonstrate achievement of the applicable UIFWE processing and reduction requirements.
  - ✓ National Treasury will then require further measurable improvement during October and November 2026.
  - ✓ By 31 October 2026, affected municipalities must demonstrate processing of matters outstanding as at 30 June 2026 through the required legal processes.
  - ✓ By 30 November 2026, there should be a demonstrable increase in the number of matters as at 30 June 2026 that have progressed through the UIFWE reduction and disciplinary board processes to conclusion.
  - ✓ Progress will not be measured only by reductions in UIFWE balances but also implementation of consequence management processes. National Treasury will assess whether matters have moved through the required investigation, disciplinary, recovery and criminal processes.

PROTECTING BASIC SERVICES WHILE ENFORCING ACCOUNTABILITY

- National Treasury recognises that communities should not carry the immediate consequences of failures by municipal institutions. That consideration is central to the decision to release the remaining July 2026 transfers.

The purpose of this conditional release is therefore twofold:

- It protects basic service delivery in the immediate term; and
- At the same time, it places affected municipalities on clear notice that measurable corrective action is required.

CONCLUSION

- National Treasury remains committed to support municipalities during this period on their road to compliance and to assist municipalities in avoiding another withholding of the equitable share in December 2026 and March 2027.