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2024 MTBPS

EXPENDITURE PRIORITIES

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Consolidated government spending is expected to increase from R2.4 trillion in 2024/25 to R2.77 trillion in 2027/28, growing by an annual average rate of 4.9 per cent. Over the medium term, economic development is the fastest-growing function at 7.8 per cent, driven by increased infrastructure allocations.
- Compared with the 2024 Budget, main budget non-interest spending increases by a net R10.4 billion in 2024/25 and R16.4 billion in 2025/26, with nearly 60 per cent of spending supporting the social wage.
- Function groups have also reprioritised and reallocated their budgets to fund cost pressures and urgent policy priorities within departments and entities over the medium-term expenditure framework (MTEF) period.

INTRODUCTION

Consolidated government spending is projected to increase from R2.4 trillion in 2024/25 to R2.77 trillion in 2027/28, growing at an annual average rate of 4.9 per cent. Over the same period, revenues are projected to underperform compared to the 2024 Budget projections. In this context, major spending pressures still need to be funded mainly from current baselines, reprioritisations or shifts between programmes. The 2025 Budget will outline medium-term spending plans to address these challenges and ensure government's ability to meet its fiscal goals.

REVISIONS TO EXPENDITURE PRIORITIES

Medium-term changes to spending are largely driven by government's proposals to implement early retirement measures in 2025/26 and 2026/27 to manage the public-service wage bill and bring in younger talent into the public service. These revisions also include national government's contribution to the repayment of South African National Roads Agency Limited (SANRAL) debt relating to the Gauteng Freeway Improvement Project debt repayment in 2025/26, as well as transferring Gauteng Province's portion of this SANRAL debt and maintenance obligations. Additionally, significant adjustments are made to carry-through costs for South African National Defence Force troop deployment in the Democratic Republic of the Congo. These and other proposals will be included in the 2025 Budget.

In-year spending adjustments

The 2024 Adjustments Budget includes unforeseeable and unavoidable adjustments dedicated to support the rebuilding and rehabilitation of infrastructure damaged by floods across multiple municipalities and provinces. Similar support will be provided through the *provincial roads maintenance grant* for road reconstruction. Other adjustments targeted at infrastructure include a top-up of the *emergency housing grant* to fund current shortfalls and historical outstanding interventions.

In addition, special adjustments are included for the repayment of debt to SANRAL and appropriations to the Presidency, the Department of International Relations and

Cooperation and the Department of Justice and Constitutional Development in legal costs for South Africa's case in the International Court of Justice. These in-year adjustments also contain emergency funds related to the South African National Defence Force troop deployment in the Democratic Republic of the Congo.

The remaining upward expenditure adjustments are for rollovers, defence troop deployment, unforeseeable and unavoidable expenditure and spending announced in the 2024 Budget, including an increase in the *COVID-19 social relief of distress grant*. An amount of R60 million is also added for costs related to the initial activities of South Africa's G20 Presidency in 2024/25. In addition, R2.6 billion is included for self-financing from the revenue-generating activities of departments.

These increases are partially offset by declared unspent funds, projected underspending, drawdowns of the contingency reserve and provisional allocations not assigned to votes. Details on in-year spending adjustments for national departments are set out in the 2024 *Adjusted Estimates of National Expenditure*.

SPENDING PRIORITIES BY FUNCTION GROUP

Consolidated government spending is projected to increase from R2.4 trillion in 2024/25 to R2.77 trillion in 2027/28, growing at an annual average rate of 4.9 per cent. The learning and culture function accounts for the largest share of this growth. Economic development is the fastest-growing function, with growth averaging 7.8 per cent over the MTEF period driven by increased infrastructure allocations. Debt-service costs grow at an average of 6.9 per cent per year. Spending on payments for capital assets is the fastest-growing item by economic classification, increasing at an annual average of 10.6 per cent over the three-year period. A portion of social protection funding is retained within the fiscal framework as part of provisional allocations to be finalised at the time of the 2025 Budget.

Table 4.1 Consolidated expenditure by function[1]

R billion	2023/24	2024/25	2025/26	2026/27	2027/28	Average annual growth 2024/25 – 2027/28
	Outcome	Revised	Medium-term estimates			
Learning and culture	**462.9**	**478.6**	**498.1**	**524.7**	**550.1**	**4.7%**
Basic education	315.1	323.3	342.4	362.8	380.6	5.6%
Post-school education and training	135.6	143.0	143.9	149.9	156.8	3.1%
Arts, culture, sport and recreation	12.1	12.3	11.8	12.0	12.7	1.0%
Health	**265.9**	**274.0**	**284.5**	**297.2**	**310.8**	**4.3%**
Peace and security	**239.6**	**249.8**	**257.7**	**270.8**	**280.6**	**3.9%**
Defence and state security	56.4	57.1	57.3	59.9	62.0	2.8%
Police services	117.1	125.3	131.7	137.9	143.8	4.7%
Law courts and prisons	53.5	54.7	57.1	59.7	62.6	4.6%
Home affairs	12.6	12.8	11.7	13.3	12.1	-1.7%
Community development	**254.6**	**264.5**	**272.5**	**281.9**	**293.3**	**3.5%**
Economic development	**239.3**	**262.1**	**293.5**	**298.1**	**328.7**	**7.8%**
Industrialisation and exports	37.8	39.6	39.8	39.6	41.9	1.9%
Agriculture and rural development	27.0	28.2	29.0	30.0	30.9	3.0%
Job creation and labour affairs	22.1	22.6	24.9	26.1	27.3	6.5%
Economic regulation and infrastructure	130.9	151.0	178.4	180.7	206.2	10.9%
Innovation, science and technology	21.5	20.6	21.3	21.8	22.4	2.8%
General public services	**77.4**	**75.7**	**79.0**	**81.8**	**86.0**	**4.4%**
Executive and legislative organs	18.1	17.7	17.7	18.0	18.9	2.3%
Public administration and fiscal affairs	50.3	49.0	51.8	54.5	57.5	5.5%
External affairs	9.0	9.0	9.5	9.3	9.7	2.3%
Social development	**357.6**	**396.3**	**395.8**	**407.1**	**418.5**	**1.8%**
Social protection	281.7	300.6	320.1	337.0	345.3	4.7%
Social security funds	75.9	95.7	75.7	70.2	73.2	-8.5%
Payments for financial assets	**5.4**	**5.2**	**2.4**	**2.6**	**2.6**	
Allocated by function	**1 902.7**	**2 006.1**	**2 083.6**	**2 164.1**	**2 270.6**	**4.2%**
Debt-service costs	356.1	388.9	419.1	445.7	475.7	6.9%
Contingency reserve	–	–	7.6	14.5	20.8	
Consolidated expenditure	**2 258.8**	**2 395.0**	**2 510.3**	**2 624.4**	**2 767.1**	**4.9%**

1. Consisting of national and provincial departments, social security funds and public entities
Source: National Treasury

Table 4.2 Consolidated expenditure by economic classification[1]

R billion	2023/24 Outcome	2024/25 Revised	2025/26 Medium-term estimates	2026/27	2027/28	Average annual growth 2024/25 – 2027/28
Current payments	**1 399.9**	**1 482.0**	**1 567.6**	**1 636.6**	**1 730.8**	**5.3%**
Compensation of employees	724.1	761.4	798.3	832.6	868.0	4.5%
Goods and services	312.7	323.1	341.7	350.2	378.6	5.4%
Interest and rent on land	363.1	397.5	427.6	453.8	484.1	6.8%
of which: debt-service costs	*356.1*	*388.9*	*419.1*	*445.7*	*475.7*	*6.9%*
Transfers and subsidies	**746.8**	**789.1**	**803.8**	**825.5**	**852.3**	**2.6%**
Provinces and municipalities	171.7	181.4	191.1	199.3	208.1	4.7%
Departmental agencies and accounts	33.6	29.1	33.4	29.3	25.9	-3.8%
Higher education institutions	51.0	54.4	55.5	58.0	60.6	3.7%
Foreign governments and international organisations	3.0	3.2	3.3	3.4	3.6	4.0%
Public corporations and private enterprises	39.6	39.5	38.9	40.3	42.4	2.3%
Non-profit institutions	42.2	40.2	43.3	46.4	49.8	7.4%
Households	405.7	441.3	438.3	448.8	461.9	1.5%
Payments for capital assets	**106.6**	**118.7**	**128.9**	**145.1**	**160.6**	**10.6%**
Buildings and other capital assets	78.1	88.7	100.7	117.1	131.1	13.9%
Machinery and equipment	28.5	30.0	28.2	28.0	29.5	-0.5%
Payments for financial assets	**5.4**	**5.2**	**2.4**	**2.6**	**2.6**	
Total	**2 258.8**	**2 395.0**	**2 502.7**	**2 609.9**	**2 746.3**	**4.7%**
Contingency reserve	–	–	7.6	14.5	20.8	
Consolidated expenditure	**2 258.8**	**2 395.0**	**2 510.3**	**2 624.4**	**2 767.1**	**4.9%**

1. Consisting of national and provincial departments, social security funds and public entities
Source: National Treasury

Learning and culture

Learning and culture is made up of the basic and higher education sectors, as well as sport, arts and culture. Over the medium term, basic education will prioritise quality improvements such as piloting a nutrition programme in early childhood development, placing renewed emphasis on early grade reading and gradually introducing mother tongue-based bilingual education. These initiatives are expected to improve educational outcomes.

Universities, technical and vocational education and training colleges, and community education and training colleges need to align student enrolment with budgets and improve the quality of offerings. Government is reviewing the apprenticeship and skills development levy systems. In collaboration with the private sector, government also aims to double the number of artisans completing trade tests in the next three years through increased work-based learning opportunities.

Museums, playhouses and heritage institutions will need to contain costs in line with their reduced operating transfer and the sector is considering a shared services model for its entities to release funding from overheads for service delivery.

Health

The health sector is focused on delivering consistent services amid budgetary constraints. The Department of Health is working with the Department of Public Service and Administration to review human resource policies, such as the occupation-specific dispensation, commuted overtime and rural allowances, which inflate the cost of public health professionals. During 2025/26, the sector will focus on improving efficiency by implementing the recommendations of spending reviews and introducing innovative solutions like the central chronic medicine dispensing and distribution system. This will allow resources to be redirected towards quality improvement programmes like the ideal clinic and ideal hospital initiatives, as well as improving access to healthcare services.

In preparation for the implementation of national health insurance, the sector will continue to enhance health infrastructure through sustained allocations in direct and indirect infrastructure grants. Major funding shifts are not expected in the 2025 MTEF period as the focus will be on developing systems and mechanisms that support this reform, as outlined in the National Health Insurance Act (2023).

Peace and security

Over the medium term, this function aims to build a capable, ethical and developmental state through safer communities, increased business confidence and effective border management to ensure territorial integrity.

From the 2025 MTEF period onwards, funding will be reprioritised within the function to departments and entities to establish a shared forensic capability within the Financial Intelligence Centre. This will strengthen efforts to combat money laundering and the financing of terrorism and secure South Africa’s removal from the Financial Action Task Force grey list. The Independent Police Investigative Directorate, the Public Protector South Africa and the South African Human Rights Commission will also receive reprioritised funds to strengthen investigative capacity to deal with case backlogs and human rights violations.

From April 2025, the Information Regulator will be a standalone public entity, with funding realigned to procure financial, personnel management and payroll systems so it can operate independently of the Department of Justice and Constitutional Development.

Community development

Over the medium term, this function will continue supporting the provision of basic services, addressing service delivery challenges through improved collaboration across spheres of government and improved management of conditional grants, strengthening infrastructure financing and water and sanitation management, and delivering priorities relating to human settlements and public transport.

Government is increasing investment in bulk water and sanitation infrastructure and efficient water management strategies, including by implementing a new water pricing strategy and improving the sustainability of water boards through charges. The human settlements white paper will set out a new strategy for this sector, ensuring alignment across government spheres.

In addition, government will finalise the disaster response strategy and facilitate plans at local government level to improve preparedness and response time, as well as providing rapid and responsive emergency housing and accommodation solutions. Public transport will be prioritised through the Passenger Rail Agency of South Africa.

Economic development

The economic development function implements programmes for economic growth and job creation, focusing on sectors like agriculture, tourism, industrialisation, export promotion, small business development, science and innovation. The Department of Agriculture, Land Reform and Rural Development is working to ensure equitable land access and support resettled farmers for improved farm productivity, food security and job creation. From April 2025, the agriculture function will become a standalone national department that will prioritise support for subsistence and smallholder farmers.

The Department of Forestry, Fisheries and the Environment is implementing the Climate Change Act (2024), which aims to provide a coordinated and integrated response to climate change across the country. The act establishes the statutory framework for the first mandatory carbon budget framework, sectoral emission targets and the Presidential Climate Commission. The department is consulting with different spheres of government on implementation methods and is assessing resource needs.

The Department of Trade, Industry and Competition is restructuring incentives to fund masterplans and achieve smart industrialisation goals. The Department of Small Business Development will train municipalities to tackle red tape and unnecessary procedures that hinder small business growth and cooperative development. The Department of Tourism will continue supporting the tourism sector through the Tourism Sector Masterplan. The Community Work Programme will increase collaboration with private partners to strengthen skills building, maximise impact and explore alternative pathways to employment.

Economic regulation and infrastructure will focus on digital transformation, monitoring the implementation of the national data and cloud policy, and supporting the second phase of the spectrum auction. The Department of Mineral Resources and Energy will be separated into two departments by April 2025. The newly established Department of Electricity and Energy will advance the development of transmission infrastructure, oversee the amended Electricity Regulation Act (2006) and manage the Integrated National Electrification Programme. Government is reviewing the *integrated national electrification programme grant* and will finalise related reforms over the medium term.

Review of employment and social support systems

Active labour market programmes (ALMPs) include government initiatives such as job creation, training and public employment services, while public employment programmes (PEPs) are programmes financed and implemented by government that create direct employment through productive activities. The current portfolio of ALMPs and PEPs is extensive, resource intensive and complex, with multiple programmes and projects across the three spheres of government. This fragmentation makes it difficult to access and navigate, and there is no single point of entry for citizens to assess their needs. The National Treasury and the Presidency, working with other state institutions, have initiated a comprehensive review of ALMPs, PEPs and the social support system to improve efficiency and effectiveness. The first phase of this review will be completed by March 2025.

The review will recommend and initiate the implementation of solutions to:

- Enhance strategic coherence and coordination across ALMPs, PEPs and the social support system to maximise impact and improve resource allocations.
- Use technology to offer a platform so that beneficiaries can easily navigate the support available (that is, pathway management).
- Create a transparent mechanism to assess the effectiveness of ALMP and PEP interventions to ensure efficient resource use.
- Integrate these portfolios to respond to the diverse needs of people seeking employment, skills development, self-employment and/or entrepreneurship.

The review will help develop a set of reforms designed to optimise leadership, management, funding and integration of these critical portfolios.

General public services

The function supports the establishment of a capable state for transformative development and accounts for 4.4 per cent of consolidated spending in 2024/25. The South African Revenue Service is allocated additional funds to strengthen its revenue collection capacity. Furthermore, additional funding has been allocated to Parliament for the payment of exit packages and loss of office gratuities to non-returning Members of Parliament following the end of the sixth Parliament, and to address human resource capacity constraints.

South Africa will hold the G20 Presidency from 1 December 2024 to 30 November 2025. Over the medium term, the function will receive additional funding for some of the departments involved in G20 preparations. Various government departments and institutions will be involved, with the National Treasury and the Reserve Bank leading the finance track and the Department of International Relations and Cooperation leading the Sherpa track.

Social development

The 2024 *Medium Term Budget Policy Statement* maintains support for vulnerable households by ensuring that 59.9 per cent of non-interest spending is allocated to the social wage, of which social protection is the largest component.

Table 4.3 Social wage

R billion	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Revised	Medium-term estimates		
Community development	**164.2**	**182.2**	**201.0**	**210.7**	**219.7**	**226.1**	**233.2**
Housing development	27.0	25.7	26.5	28.1	28.6	27.9	28.2
Transport	29.4	37.5	45.9	45.3	45.1	46.4	47.9
Basic services and local government[1]	107.8	119.0	128.6	137.4	146.1	151.8	157.0
Employment programmes	**17.7**	**19.2**	**19.3**	**19.4**	**20.3**	**21.3**	**22.3**
Health	**228.5**	**235.3**	**243.3**	**251.5**	**261.2**	**273.1**	**285.5**
Basic education	**262.5**	**276.2**	**291.4**	**296.5**	**311.9**	**327.0**	**343.0**
Fee-free higher education and training	**55.9**	**63.6**	**65.2**	**69.5**	**70.5**	**73.1**	**76.0**
Social protection	**252.2**	**260.3**	**278.8**	**298.0**	**317.5**	**334.1**	**342.3**
of which: Social grants	*222.7*	*233.0*	*250.5*	*269.4*	*248.4*	*259.8*	*271.5*
Social security funds	**76.2**	**66.7**	**65.2**	**79.9**	**59.1**	**53.4**	**55.9**
Social wage	**1 057.2**	**1 103.4**	**1 164.3**	**1 225.6**	**1 260.2**	**1 308.1**	**1 358.2**
Percentage of non-interest spending	*59.5%*	*60.1%*	*61.2%*	*61.1%*	*60.3%*	*60.0%*	*59.3%*

1. Includes local equitable share
Source: National Treasury

Over the medium term, the function will continue to support efforts to reduce poverty, maintain welfare services and strengthen services for women, youth and people with disabilities. The budget for social grants is sufficient for inflation-linked increases in 2025/26, but reform and reprioritisation are needed to improve efficiency in subsequent years. The sector needs to intensify efforts to improve income verification and extend big-data cross-checking to all grants.

DIVISION OF REVENUE

Provinces provide basic education and healthcare services, road infrastructure, human settlements, social development and agriculture. Municipalities are responsible for basic services such as water, sanitation, electricity reticulation, roads and community services. Over the medium term, government proposes allocating 47.8 per cent of available non-interest spending to national departments, 42.4 per cent to provinces and 9.8 per cent to local government.

Provinces and municipalities face spending pressures from the rising costs of basic and social services, alongside revenue pressures due to lower economic growth. Municipalities are particularly affected by higher borrowing costs, while provinces are affected by lower intergovernmental transfers, which are their main revenue source. These challenges underscore the need for greater spending efficiency and strong financial management.

Table 4.4 Division of revenue framework

R billion	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Outcome			Revised	Medium-term estimates		
Division of available funds							
National departments	**822.8**	**855.9**	**826.9**	**866.0**	**863.5**	**896.7**	**931.3**
of which:							
Provincial indirect grants	*3.8*	*3.5*	*4.1*	*3.9*	*4.2*	*4.2*	*4.6*
Local indirect grants	*5.7*	*7.0*	*8.1*	*7.1*	*7.5*	*8.0*	*8.4*
Provinces	**660.8**	**694.1**	**706.3**	**730.7**	**762.8**	**794.0**	**831.0**
Equitable share	544.8	570.9	585.1	600.5	627.4	655.7	685.1
Conditional grants	116.0	123.3	121.2	130.2	135.4	138.3	145.8
Local government	**135.6**	**150.7**	**157.6**	**170.5**	**177.2**	**183.8**	**189.5**
Equitable share	76.2	83.9	92.3	101.2	106.1	110.7	115.7
General fuel levy sharing with metropolitan municipalities	14.6	15.3	15.4	16.1	16.8	17.6	18.4
Conditional grants	44.8	51.4	50.0	53.1	54.3	55.5	55.4
Provisional allocations not assigned to votes[1]	–	–	–	–	46.1	60.1	63.5
Projected underspending	–	–	–	-2.9	–	–	–
Non-interest allocations	**1 619.2**	**1 700.7**	**1 690.8**	**1 764.1**	**1 849.7**	**1 934.5**	**2 015.2**
Debt-service costs	268.1	308.5	356.1	388.9	419.1	445.7	475.7
Contingency reserve	–	–	–	–	7.6	14.5	20.8
Main budget expenditure	**1 887.3**	**2 009.2**	**2 046.9**	**2 153.0**	**2 276.4**	**2 394.7**	**2 511.8**
Percentage shares							
National departments	50.8%	50.3%	48.9%	49.0%	47.9%	47.8%	47.7%
Provinces	40.8%	40.8%	41.8%	41.3%	42.3%	42.4%	42.6%
Local government	8.4%	8.9%	9.3%	9.6%	9.8%	9.8%	9.7%

1. Includes amounts for projects approved through Budget Facility for Infrastructure and other provisional allocations
Source: National Treasury

Data challenges from the 2022 Census and implications for the equitable shares

The phased release of the 2022 Census data has delayed the availability of information needed to update the provincial equitable share and local government equitable share formulas for the 2025/26 financial year. This delay also affects the release of income and expenditure data essential to updating poverty measurements in both formulas. Both formulas still use data from the 2010/11 Income and Expenditure Survey, which does not reflect recent shifts in poverty levels. The biggest impact of this delay is on the local government equitable share, which relies heavily on income and expenditure data. Statistics South Africa anticipates that the income and expenditure survey data will be available in December 2024.

The provincial equitable share

Allocations for the provincial equitable share, which is the main revenue source for provinces, are shown in Table 4.5.

Table 4.5 Provincial equitable share

R million	2024/25	2025/26	2026/27	2027/28
Eastern Cape	78 093	81 702	85 037	88 842
Free State	33 091	34 518	36 038	37 597
Gauteng	127 992	132 810	137 910	143 095
KwaZulu-Natal	121 145	126 915	133 330	139 966
Limpopo	69 625	73 375	77 219	81 203
Mpumalanga	49 499	52 007	54 679	57 445
Northern Cape	16 143	16 958	17 792	18 655
North West	42 816	44 363	45 860	47 367
Western Cape	62 071	64 794	67 840	70 979
Total	**600 476**	**627 442**	**655 704**	**685 150**

Source: National Treasury

Provincial budget and expenditure

Provincial accruals increased from R29.6 billion in 2022/23 to R36.3 billion in 2023/24, marking an annual rise of R6.7 billion or 22.8 per cent. In 2022/23, accruals rose by R2.9 billion, or 10.7 per cent, from R26.7 billion in 2021/22.

Strategies to manage these accruals include aligning procurement with monthly cash flow projections and budget availability and prioritising the payment of overdue invoices. As of 31 March 2024, medico-legal contingent liabilities totalled R61.6 billion, with provinces paying an average of R1.5 billion annually to settle related claims.

In-year adjustments

Provincial allocations include an additional R948 million for infrastructure reconstruction in the Western Cape due to flood damage, with funds allocated to the *provincial roads maintenance grant*, the *health facility revitalisation grant*, the *comprehensive agricultural support programme grant* and the *education infrastructure grant*. Additionally, R35.7 million is rolled over for the *school infrastructure backlogs grant* in the Eastern Cape, and R251 million is added in the *education infrastructure grant* for the Western Cape Rapid School Build Programme through the Budget Facility for Infrastructure.

Local government allocations include R684 million for the *municipal disaster recovery grant* to repair flood-damaged infrastructure across several provinces, with specific amounts allocated to Eastern Cape, Free State, KwaZulu-Natal, Limpopo and Mpumalanga municipalities. An amount of R300 million is reallocated from the *public transport network grant* to the Taxi Relief Fund for the continuation of a once-off gratuity to taxi owners with valid operating permits. Additionally, the allocation from the *regional bulk infrastructure grant* to Drakenstein Local Municipality is reduced by R225 million to align with revised plans for a sanitation upgrade project.

Conditional grant review progress

Government has finalised its review of the conditional grant system and developed a range of reforms based on the results. These reforms will be implemented over the next three years. They aim to rationalise conditional grants, incorporate them into the provincial equitable share and enhance their effectiveness.

Reforms over the 2025 MTEF period will include merging the *comprehensive agricultural support programme grant* with the *Ilima/Letsema grant*, and the *education infrastructure grant* with the *school infrastructure backlogs grant*. The *community library services grant* will be incorporated into the provincial equitable share, and indirect grants like the *municipal systems improvement grant* and the *neighbourhood development partnership grant (indirect)* will be integrated into the budget baselines for the Department of Cooperative Governance and the National Treasury respectively to ensure that allocations are earmarked for their original purposes.

As discussed in Chapter 5, government is reforming the *metro trading services grant* to incentivise reforms to trading services and unlock additional infrastructure financing. Additionally, the *public transport network grant* will be enhanced by increasing the incentive component of its formula, and the R5 million base allocation to the *municipal infrastructure grant* will be revised with inflation-linked adjustments to better address rising infrastructure needs and costs. Longer-term reforms will address water reticulation, road and energy grants, and introduce performance incentives for municipalities. Consultations are ongoing to reconfigure grants with minimal disruption following the introduction of the National Health Insurance Act.

Transforming financial management support

The National Treasury is consolidating its financial management support into a unified Local Government Financial Management Capability Programme. This strategic shift is designed to enhance municipal capacity building and foster sustainable municipal development. Progress to date includes the integration of existing initiatives such as the *local government financial management grant*, the Municipal Finance Improvement Programme and the Municipal Revenue Management Improvement Programme into a single support programme. The redesign emphasises differentiated support tailored to municipal types and maturity levels. It is expected to be completed by March 2025. More information will be provided in the 2025 Budget.

Update on Eskom debt relief for municipalities

National government is supporting municipalities with debt relief for arrears debt to Eskom, to be written off in equal annual tranches over a three-year period provided they comply with set conditions. This programme, operating on rolling 12-month cycles, aims to mitigate fiscal risks by improving compliance with financial management and revenue collection. By combining debt relief and revenue enhancement, it aims to change the non-payment culture for municipal services and support Eskom's balance sheet.

Between March and August 2024, compliance improved from 55 per cent to 76 per cent, aided by the National Treasury and the Municipal Finance Improvement Programme. However, slow compliance with the conditions risks delaying debt write-offs. Success depends on municipalities maintaining a quarterly revenue collection rate of 85 per cent, which is below the National Treasury collection norm for local government of 95 per cent. Municipalities are encouraged to offer relief to indebted customers who pay current bills and transition to smart prepaid metering. Rand West City is the first municipality to benefit from a one-third debt write-off, following its substantial achievement of the debt-relief conditions for the first 12-month cycle. This sets the precedent for future relief.

Despite these efforts, the financial situation of the top 14 Eskom defaulters remains critical, requiring alternative solutions. The National Treasury, with stakeholder departments and Eskom, is exploring additional strategies in this regard.

CONCLUSION

Over the next three years, government spending continues to increase and is expected to reach R2.77 trillion in 2027/28. Government needs to continue improving efficiency and identifying opportunities to reprioritise and downscale programmes that are ineffective. In addition, the wage bill needs to be managed prudently.