

2026 BUDGET REVIEW

ANNEXURES



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

A

2026 BUDGET REVIEW

**REPORT OF THE
MINISTER OF FINANCE
TO PARLIAMENT**



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

REPORT OF THE MINISTER OF FINANCE TO PARLIAMENT

INTRODUCTION

Section 7(4) of the Money Bills and Related Matters Act (2009) requires that the Minister of Finance submit a report to Parliament during the tabling of the Budget that explains how the Division of Revenue Bill and the national budget give effect to recommendations made by Parliament or provides reasons for deviating from these recommendations. The recommendations to which this annexure responds are contained in:

- Budgetary review and recommendation reports submitted by portfolio committees of the National Assembly in terms of section 5 of the act.
- Reports submitted by the finance committees in terms of section 6 of the act on the fiscal framework proposed in the *Medium Term Budget Policy Statement* (MTBPS).
- Reports submitted by the appropriations committees in terms of section 6 of the act on the proposed division of revenue and the conditional grant allocations to provinces and local governments as set out in the MTBPS.

BUDGETARY REVIEW AND RECOMMENDATION REPORTS

In terms of section 5 of the act, the National Assembly committees must assess the performance of each national department before the budget is introduced and prepare budgetary review and recommendation reports. These reports:

- Must provide an assessment of the department's service delivery performance given available resources.
- Must provide an assessment of the effectiveness and efficiency of the department's use and forward allocation of available resources.
- May include recommendations on the future use of resources.

This annexure provides responses to the recommendations of portfolio committees and finance and appropriations committees, particularly where they relate to the Minister of Finance and the National Treasury.

Several committees recommended allocating additional budget for certain programmes, sub-programmes or other budget items. The scope to fulfil multiple recommendations for additional funding remains limited given the constrained fiscal outlook. Departments, public entities and other institutions are required to reprioritise existing funds for emerging priorities. As part of the Targeted and Responsible Savings (TARS) initiative, all accounting officers must implement measures to minimise inefficiency and waste to improve value for money.

PORTFOLIO COMMITTEE ON CORRECTIONAL SERVICES

Transversal system: The Committee noted that the Judicial Inspectorate for Correctional Services (JICS) did not have access to the transversal system to be able to process invoices from service providers in the period under review. The Committee requested the relevant authorities to provide JICS with access to this system to enable it to process its invoices as an independent institution.

JICS was granted access to the transversal system with effect from 1 May 2025.

PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS

The Committee has noted that current procurement processes often have a negative impact on South African National Defence Force (SANDF) operational momentum during military operations. For example, procuring tyres and basic provisions for border safeguarding operations often takes weeks or even months, impacting on the SANDF's ability to conduct operations. As part of the development of regulations on procurement, the Committee urges National Treasury to accommodate procurement suited to military operations sanctioned under the Constitution or Defence Act (2002).

The National Treasury is developing regulations in terms of the Public Procurement Act (2024). The commenting process will provide an opportunity for the Department of Defence (DoD) to raise any procurement matters specific to military operations that may adversely affect the SANDF's operations.

The Committee remains highly concerned about the state of the SA Air Force's fighter capability. Of further concern is the potential loss of capability of the fighter fleet in the near future should intervention not be forthcoming. The Committee therefore recommends thorough engagement between the SANDF (SA Air Force) and National Treasury to ensure the provision of ring-fenced funding for the maintenance of, at the very least, a minimum viable fighter capability, as advised by the SA Air Force Command Council, over the medium-term.

The DoD has been allocated additional funding of R1.4 billion over the medium term for the maintenance of the South African Air Force's fighter capability. These allocations are ring-fenced and any proposed changes to the allocated amounts or their intended use will require the National Treasury's approval.

Flowing from its oversight visit, the Committee recommends that the Minister of Finance and National Treasury, in consultation with the Minister of Defence and Military Veterans, prioritise the allocation of funding to increase SANDF border safeguarding deployments from the current 15 sub-units to the targeted 22 sub-units. The DoD should develop a priority list of safeguarding units so that those most in need can be supported first. This recommendation is made in the context of the reduction in foreign deployment commitments, which provides an opportunity to reallocate human resources towards strengthening national border security. The DoD should therefore fund this from within its existing compensation of employees (CoE) allocation. The Committee therefore urges that funding provisions be made to progressively implement the expansion from 2026/27.

The DoD has been allocated an additional R1.7 billion over the medium term to enhance border safeguarding. This allocation will prioritise equipment, improving the reach, coverage and overall effectiveness of borderline protection. It will also support enhanced mobility and greater use of technology to strengthen border security. These funds are strictly earmarked for this purpose.

In addition to the above, National Treasury should consider the continued ringfenced funding of border safeguarding technology (in addition to the funding supplied for vehicle acquisition) as a force multiplier for border safeguarding deployments.

The National Treasury agrees with the committee's recommendation. Funding for border safeguarding technology will continue to be earmarked as indicated.

PORTFOLIO COMMITTEE ON ELECTRICITY AND ENERGY

The Minister of Electricity and Energy, together with the Minister of Finance, must table a phased reduction plan to end Eskom's dependence on the fiscus within five years and provide Parliament with a quarterly fiscal dependency tracker detailing progress toward self-sustainability.

A plan to reduce Eskom's reliance on the fiscus has been under way through the implementation of the Eskom debt-relief arrangement since 2023. Based on current performance, the National Treasury does not foresee the need for additional fiscal intervention in the medium term, subject to continued delivery of the turnaround plan and sustained improvements. The National Treasury, working with the Department of Electricity and Energy, monitors Eskom's performance on a monthly and quarterly basis through the Eskom Quarterly Monitoring Task Team. The Minister of Finance signs off quarterly on Eskom's compliance with the Eskom debt-relief conditions. In addition, the National Treasury reports quarterly on Eskom's performance to the Standing Committee on Appropriations.

PORTFOLIO COMMITTEE ON EMPLOYMENT AND LABOUR

The Committee recommends that the Department of Employment and Labour (DEL) engage National Treasury to review the Commission for Conciliation, Mediation and Arbitration's (CCMA) funding model to ensure financial sustainability and protect service delivery. Thus, the Committee recommends allocating more financial resources towards the CCMA.

The National Treasury is committed to engaging with DEL and the CCMA on maintaining fiscal stability and ensuring that existing allocations remain adequate for core service delivery. DEL must work together with the CCMA to explore ways to realise efficiency gains and reprioritisation within the existing CCMA baseline to fund emerging priorities, particularly the remuneration of executives and senior managers, which exceeds that of similar posts in the public service.

The Committee should engage DEL, Unemployment Insurance Fund (UIF), and National Treasury on a revised, sustainable funding model to provide Productivity SA (PSA) with predictable baseline funding.

During the 2026 medium-term expenditure framework (MTEF) budget process, the National Treasury recommended that the department conduct a spending review of Productivity SA to identify areas of inefficiency and ineffectiveness; a suitable service delivery model and corporate form; and the most appropriate institutional fit – with DEL or the Department of Trade, Industry and Competition. The National Treasury will continue to engage with the relevant stakeholders on sustainability and addressing the inefficiencies and ineffectiveness identified.

PORTFOLIO COMMITTEE ON LAND REFORM AND RURAL DEVELOPMENT

The Minister of Finance, in collaboration with the Minister of Land Reform and Rural Development, should prioritise and protect funding for key programmes, including land redistribution (ALHA), tenure reform, and restitution. Additional funding for these programmes will enable the Department and associated public entities to fulfil the constitutional obligations outlined in Section 25 of the

Constitution, implement the newly enacted Communal Property Associations (CPA) Amendment Act, and comply with the court orders in the following matters:

- *Mwelase v Minister of Rural Development and Land Reform (settlement of labour tenant claims)*
- *Lamosa judgement (settlement of pre-1998 land claims before processing the new ones lodged in 2024).*

There are various ways in which government can protect constitutional obligations. The 2026 MTEF technical guidelines emphasise the continued implementation of the TARS initiative. This requires departments to scale down low-priority programmes, eliminate duplication and improve efficiency to redirect resources towards high-impact priorities such as land redistribution, tenure reform and restitution. Nevertheless, during the 2025 Adjusted Estimates of National Expenditure process, the Department of Land Reform and Rural Development's rollover request of R647.5 million was approved to settle an outstanding court order related to restitution claims in KwaZulu-Natal. This adjusted appropriation is expected to accelerate the settlement of outstanding claims.

National Treasury should consider supporting the Commission on Restitution of Land Rights to achieve institutional autonomy, enhance its financial management and payment systems and streamline budget realignment processes to enable the timely disbursement of funds for restitution settlements.

The National Treasury notes the recommendation. Appropriated funds are already ring-fenced for each programme, but accounting officers retain discretion to reprioritise within allocations, in line with the Public Finance Management Act (PFMA) (1999). To strengthen financial management and payments, the Office of the Accountant-General is considering an automated system that links the department's processes with the Basic Accounting System. This system is expected to streamline payments and enhance budget realignment.

PORTFOLIO COMMITTEE ON POLICE

National Treasury, in consultation with the Civilian Secretariat for the Police Service (CSPS), must provide earmarked funding for the automation of a Complaints Management System to enable the efficient tracking, classification, and analysis of service-delivery complaints received from the public and Parliament. The Committee noted that this capacity is essential to ensure that complaints falling outside the revised investigative scope of the IPID are properly captured, monitored, and addressed within the civilian oversight framework.

The CSPS has been allocated R30.8 million over the 2025 MTEF period primarily to enhance its capacity. It is the department's prerogative to reprioritise funds internally within its baseline to create a case management system. Such a system would enable the department to differentiate between normal police service delivery complaints and complaints against members of the Directorate for Priority Crime Investigation, given that these are often reported to the Independent Police Investigative Directorate (IPID). Funding requirements for the departments will always be considered as part of the annual budget process.

National Treasury must consider multi-year funding allocations to support the Secretariat's expanding oversight and policy coordination responsibilities under the Integrated crime and violence

prevention strategy (ICVPS), ensuring adequate capacity for data collection, stakeholder coordination, and intergovernmental monitoring.

In the 2025 MTEF, the department was allocated R30.8 million to enhance its capacity, which includes capacity for data collection, stakeholder coordination and intergovernmental monitoring.

National Treasury, in consultation with the CSPA, must undertake a comprehensive review of the department's budget allocation, with particular attention to the strengthening functions central to civilian oversight of policing. The Committee emphasised that the current funding levels limit the Secretariat's capacity to conduct integrated, evidence-based research, policy development, and oversight, and that the overall allocation must be enhanced to ensure the institutional effectiveness and independence required to fulfil its constitutional mandate.

The National Treasury has supported the department in receiving additional funding. For example, in the 2025 Budget, additional funding of R30.8 million was provided to the department to enhance its capacity. Moreover, during the 2026 MTEF discussions, as part of the TARS and Programme Assessment Matrix exercises, the IPID and CSPA were identified as departments with similar or overlapping mandates. Areas to leverage economies of scale were identified, which could enhance overall effectiveness.

In consultation with South African Police Services (SAPS) and the Department of Public Works and Infrastructure (DPWI), establish a ring-fenced capital and maintenance fund for Forensic Science Laboratories and other critical police infrastructure.

Funding for SAPS' capital works programme is already earmarked at the programme level through the budget process, and the department has discretion to allocate these funds across its capital projects, including forensic laboratories, in line with its priorities. The department can provide a full briefing to the committee on the management of resources appropriated by Parliament.

The National Treasury must provide targeted infrastructure support to address the rehabilitation of police training academies, living quarters, and other essential operational facilities, in line with the Medium-Term Development Plan (MTDP) priorities on building a capable and professional police service.

SAPS receives targeted support for its infrastructure programme through project-based budgeting, which requires planning, quarterly reporting and explanations for deviations. The department can provide a briefing to the committee on the management of these resources.

Support a multi-year forensic modernisation and maintenance plan within SAPS to sustain the renewal of analytical equipment, timely maintenance-contract renewal, and ongoing training of forensic specialists. This plan should form part of the ring-fenced capital programme referenced above.

Modernising the criminal justice system, including forensic capabilities, is a recognised strategic priority within SAPS and is supported through existing ring-fenced allocations for the implementation of the Integrated Criminal Justice System (ICJS) 7-Point Plan. The renewal of forensic analytical systems, maintenance of specialised equipment and strengthening of technical capacity are embedded within the SAPS ICJS allocation, with a proposed R311.1 million ring-fenced for this purpose in 2026/27. Accordingly, the constraint is not the absence of a dedicated fiscal response or the need for a new forensic-specific funding mechanism but rather ensuring that existing ICJS

resources are appropriately prioritised, sequenced and effectively used. This remains an area that has historically experienced underspending, with funds often reprioritised to other pressures within the department. It is recommended that SAPS leverage existing ring-fenced ICJS allocations to advance forensic modernisation.

The National Treasury should consider the creation of a conditional grant mechanism for the implementation of the Integrated Crime and Violence Prevention Strategy (ICVPS) to strengthen provincial and municipal safety interventions, in collaboration with the Civilian Secretariat for Police Service (CSPS) and the Department of Cooperative Governance and Traditional Affairs (COGTA).

The creation of a new conditional grant for the ICVPS is not feasible at this stage. Before considering the creation of such a grant mechanism, it is important to clarify the functional responsibility for delivering these safety interventions. Given that the implementation of the ICVPS cuts across multiple functions and departments, an agency agreement is more appropriate than a grant, allowing subnational governments to implement programmes on behalf of national departments while ensuring accountability and alignment with national priorities. Conditional grants should be used sparingly within the intergovernmental fiscal framework and only when functional responsibilities, management capacity and governance structures are clear, as introducing them prematurely risks inefficiency and higher compliance costs.

Provide specialist procurement-reform support to SAPS, including advisory assistance to address persistent irregularities, strengthen compliance with the Preferential Procurement Policy Framework Act (PPPFA) and the 2022 Preferential Procurement Regulations, and improve ethical, transparent tender processes.

The National Treasury provides guidance and oversight through procurement circulars, advisory support and compliance frameworks. However, implementing reforms and ensuring compliance rests with SAPS and its Accounting Officer. The National Treasury's support is intended to complement internal controls, strengthen governance and facilitate adherence to regulations.

In collaboration with the Office of the Chief Procurement Officer (OCPO), assist SAPS to redesign and professionalise its Supply Chain Management (SCM) structure, enhancing accountability, pre-award vetting, and internal-control capacity.

The National Treasury, through the OCPO, is already working on a Public SCM Professionalisation project aimed at strengthening procurement capability, governance and accountability across government. This initiative focuses on standardising SCM structures, improving skills and competencies, enhancing pre-award vetting processes and strengthening internal control environments within procuring institutions.

The National Treasury should support SAPS in implementing cost-effective staffing and resourcing models in specialised areas such as forensic services, cybercrime, and border policing through the review of personnel ceilings, funding formulas, and medium-term compensation frameworks.

The National Treasury agrees with the recommendation and continues to support SAPS in these areas.

National Treasury should conduct a comprehensive review of SAPS' budget allocation and expenditure framework. This review must include an audit and financial analysis to determine the

quantum of funds lost through irregular, fruitless, and wasteful expenditure, as well as contracts concluded in contravention of procurement prescripts. The Committee further recommends that Treasury, based on these findings, develop corrective measures and cost-recovery strategies, and report the outcomes to Parliament within an agreed timeframe.

The National Treasury will continue to review the SAPS budget as part of the TARS initiative, which has been institutionalised in the annual budget process. Over 2022/23–2024/25, SAPS incurred R492 million in irregular, fruitless and wasteful expenditure. While the National Treasury may propose corrective measures and cost-recovery strategies under Treasury Instruction No. 4 of 2022/23 and the PFMA Compliance and Reporting Framework, the primary responsibility rests with SAPS' Accounting Officer.

National Treasury must ensure that the Independent Police Investigative Directorate (IPID) is provided with adequate funding to sustain core investigative capacity, including forensic support, quality assurance, and digital case-tracking tools, to improve investigation turnaround times and reporting accuracy.

The 2025 MTEF budget process allocated an additional R126.3 million for the capacitation of the department. In line with the budget process, funding proposals for capacity enhancements are considered within the broader fiscal framework and in consultation with the relevant department.

National Treasury should, in consultation with the IPID, provide targeted funding for backlog reduction initiatives, including the digitisation of case files and integration of IPID's case-management systems with those of SAPS and the NPA.

The 2025 MTEF budget process allocated an additional R126.3 million to the directorate to improve its investigative capacity and operational efficiency. Regarding funding for digitising case files and integrating with SAPS and the National Prosecuting Authority (NPA), it should be noted that the justice, crime prevention and security cluster has a dedicated budget for modernising the criminal justice system hosted by the Department of Justice and Constitutional Development. Collaboration is a key focus area given that the IT systems must be integrated.

The Committee further recommends that the National Treasury review and, where appropriate, adjust IPID's baseline allocation to reflect its evolving mandate, ensuring that funds are redirected toward serious cases and institutional capacity-building.

The National Treasury remains committed to supporting effective law enforcement oversight and acknowledges the operational pressures faced by the IPID. It is for this reason that the 2025 MTEF allocated an additional R126.3 million to the IPID to increase personnel and the directorate's overall investigative capacity.

PORTFOLIO COMMITTEE ON PLANNING, MONITORING AND EVALUATION

The National Treasury should increase financial and human resources for the National Planning Commission (NPC) to enable it to fulfil its mandate effectively. The NPC plays a critical role in steering long-term, evidence-based planning, providing strategic foresight, and ensuring policy coherence across government functions.

The annual budget process affords departments an opportunity to submit proposals for the National Treasury's processing and the consideration of various internal and external budget committees, including Cabinet.

PORTFOLIO COMMITTEE ON SPORT, ARTS AND CULTURE

The Minister of Finance, through the National Treasury, should engage the department on the implementation of the Video Assistance Referee (VAR) project to ensure that it is clearly defined with measurable objectives and aligned to the Annual Performance Plan (APP) and Medium-Term Expenditure Framework (MTEF) priorities. The Committee further recommends that the National Treasury assess if the VAR project has a properly developed business case, detailed costing, and performance indicators, as required by the PFMA and associated Treasury Regulations. National Treasury should provide oversight, guidance, and corrective direction if and where needed.

The views of the committee are noted. The cost of video assistance refereeing should be treated and covered the same way across all sporting codes.

The Committee notes that the funds appropriated to the department are not proportionate to the sector's contribution to Gross Domestic Product (GDP). The Committee requests that the Minister of Finance, through the National Treasury, together with Statistics South Africa and the department, appear before the Committee at a date to be determined to address this matter.

The comment is noted. Appropriations are made for public goods and services on constitutional and legal requirements, governmental priorities and available fiscal resources.

PORTFOLIO COMMITTEE ON TOURISM

The committee recommends that the Minister of Finance appropriates and ring-fences funding for the recapitalisation of the Tourism Equity Fund, on the condition that the Minister of Tourism presents, within 60 days, a comprehensive reform plan for the fund. This plan must include the appointment of an independent implementing agent, a streamlined and transparent application process, and a results-based framework with quarterly reporting to this Committee. Without these fundamental governance reforms, any additional funding will be wasted.

The National Treasury notes the recommendation for a comprehensive reform plan for the Tourism Equity Fund. The fund has underspent its resources. It has faced significant challenges in disbursing the R540 million allocated in 2020/21, with only R125 million disbursed to date, according to the Small Enterprise Development and Finance Agency.

Notwithstanding the fiscal constraints in the country, it is recommended that the Minister of Finance considers increasing the budget appropriated to the Vote 38: Tourism in order to implement more tourism development and marketing initiatives that contribute to more labour-intensive job opportunities and increase contribution of the sector into the Gross Domestic Product of the country.

The recommendation is noted. The Department of Tourism and South African Tourism have historically underspent and surrendered significant unspent funds. For example, South African Tourism returned R229.1 million to the National Revenue Fund in 2023/24.

The Committee directs the National Treasury to develop a standardised return on investment framework for all departmental international travel. No funding for such missions should be approved without a pre-trip cost-benefit analysis and clearly defined, measurable outcomes against which success will be judged.

On 21 June 2024, the National Treasury issued Treasury Instruction No. 1 of 2024/2025 on revised cost-containment measures and the National Travel Guideline. These restricted international travel to essential official business and require clear justification of benefits and financial implications. Beyond this, in terms of the PFMA, travel policies and approvals are the responsibility of executive authorities. The National Treasury supports the principle of pre-trip cost-benefit analysis and measurable outcomes. The development of a standardised return on investment framework would require consultation with relevant stakeholders to ensure alignment with existing governance frameworks.

The Minister of Finance, in conjunction with the Minister of Tourism, should commission a feasibility study to restructure SA Tourism into a public-private partnership to inject private sector expertise, governance, and funding (leveraging the withheld TOMSA levies) into the national marketing effort, insulating it from political instability and improving its effectiveness.

Institutional configuration decisions for South African Tourism rest with the Minister and Department of Tourism. The National Treasury will advise the minister and department of the views of the committee. The National Treasury further agrees that private-sector participation has the potential to benefit the institutional arrangement, as well as options to diversify funding, including the transparent and compliant use of TOMSA levies.

The Committee mandates that a portion of the destination development budget be directly transferred to provinces and metros that demonstrate proven project management capacity, bypassing ineffective national implementing agents.

The National Treasury notes the recommendation and will advise the Department of Tourism accordingly. In the meantime, it should be noted that any proposed changes to the funding flow must be formally motivated by the department through the intergovernmental budget process and considered under the division of revenue framework to ensure compliance with fiscal governance principles and accountability requirements.

Explore matched funding models where government grants are paired with private sector investment for tourism infrastructure, ensuring market relevance and financial discipline.

This recommendation should be directed to the Department of Tourism, which is best placed to advise the committee on feasibility and implementation.

PORTFOLIO COMMITTEE ON TRANSPORT

The Committee recommends that the Minister of Finance, through NT, should assist the department and its entities to receive final decisions on all alternative revenue source proposals or funding requests submitted to National Treasury from the transport portfolio and submit a progress report to the Committee by the end of January 2026 on these submissions, followed by quarterly progress reports thereon, on all alternative revenue proposal applications or funding requests from the transport portfolio before National Treasury.

All departments participate in the budget process equally and receive feedback on funding requests before the budget is presented to Cabinet. Departments are also welcome to engage on potential revenue sources during this process. Cabinet, representing all departments in government, gives approval to each allocation before it is submitted to Parliament.

PORTFOLIO COMMITTEE ON WATER AND SANITATION

Support infrastructure budget flexibility: Allow for more responsive budget adjustments to accommodate project delays and reallocation of funds to progressing projects, while maintaining transparency and audit compliance.

The National Treasury welcomes the recommendation. Proposed adjustments to budgets are considered on a case-by-case basis and need to be accompanied by robust and updated implementation plans, including a schedule and cash-flow requirements. At subnational level, the Division of Revenue Act already provides for the proposed flexibility in terms of sections 17, 18 and 19.

Enforce Blacklisting of Contractors: Act promptly on referrals from Department of Water and Sanitation (DWS) to blacklist non-performing contractors and maintain an updated public register of blacklisted entities.

The Accounting Officer of the Department of Water and Sanitation has a responsibility to blacklist contractors and follow the restriction process outlined in paragraph 6 (restriction of person doing business with government) of PFMA Supply Chain Management Instruction Note 3 of 2021/22: Enhancing Compliance, Transparency and Accountability in Supply Chain Management. The National Treasury only uploads the blacklisted contractor on the National Treasury website once a request has been received from an organ of state and assesses whether the process followed by the accounting officer complies with paragraph 6 of the instruction note.

Lead Metro Trading Services Oversight: Provide a comprehensive briefing to the Committee on the Metro Trading Services Programme, including its objectives, funding model, and implementation status across municipalities. The Committee to schedule a meeting on metro trading services programme (coordinated by National Treasury City Support Programme).

The National Treasury welcomes the committee's recommendation. A comprehensive briefing on the Metro Trading Services Programme can be prepared.

Lead Metro Trading Services Oversight: Implement initiatives aimed at arresting ever increasing municipal water debts such as the withholding of equitable share of all municipalities that owe water boards more than R10 million, and report to the Committee by January 2026.

The National Treasury continues to engage municipalities that fail to comply with the Municipal Budget and Reporting Regulations and the Municipal Finance Management Act (2003). This includes non-payment of accounts to third parties such as water boards. The National Treasury has invoked section 216 of the Constitution against 12 municipalities that owe water boards. Equitable share and other conditional grants are therefore withheld. The National Treasury is able to submit a progress report to the committee at any time the committee requests, as these interventions are ongoing.

Integration of Regional Bulk Infrastructure Grant (RBIG), Water Services Infrastructure Grant (WSIG) and Municipal Infrastructure Grant (MIG): Review and align the conditions for these RBIG, WSIG and MIG grants to accelerate delivery of water services (such as eradication of bucket toilet systems) across the municipalities and report to the Committee by March 2026.

A review of the three grants has been conducted, with reforms envisaged for implementation in the outer years of the 2026 MTEF period. However, the alignment of these water grants remains subject to ongoing refinements and further engagements between COGTA and the Department of Water and Sanitation. Consequently, the deliberations and finalisation of these reforms are still in progress. As such, it will not be possible to provide the committee with a conclusive report on the RBIG and WSIG by March 2026. Furthermore, discussions on reforms to the MIG are ongoing with the COGTA and relevant stakeholders. A signalling of the reforms is included in the explanatory memorandum to the division of revenue and the MIG framework (contained in the 2026 Division of Revenue Bill).

PORTFOLIO COMMITTEE ON WOMEN, YOUTH AND PERSONS WITH DISABILITIES

The Committee requests the National Treasury to reassess the funding allocation to the Department of Women, Youth and Persons with Disabilities and the Commission for Gender Equality (CGE) to optimally implement their respective mandates.

Despite the constrained fiscal environment, the Department of Women, Youth and Persons with Disabilities will receive additional funding of R43 million in 2026/27, R45 million in 2027/28 and R47.3 million in 2028/29 to operationalise the National Council on Gender-Based Violence and Femicide. This funding aims to ensure the implementation of the National Strategic Plan on Gender-Based Violence, particularly considering the recent classification of gender-based violence and femicide as a national disaster under section 23 of the Disaster Management Act (2002). This allocation is in addition to the R20.9 million in 2026/27 and R21.8 million in 2027/28 provided in the 2025 Budget to support the department's operations.

STANDING COMMITTEE ON FINANCE

The Committee recommends that National Treasury and the South African Revenue Service (SARS) develop a medium-term resource and funding plan to enable the recruitment of additional personnel in audit, enforcement, data analytics, and customs operations over the next MTEF period.

The National Treasury and SARS engage annually on medium-term resource and funding requirements, which are considered through the normal budget process. In line with this, SARS was allocated an additional R7.5 billion over the 2025 MTEF period, primarily for capacitation, including customs modernisation (physical and technology infrastructure at ports), single customer view, a modernised case management system and value-added tax (VAT) modernisation.

The Committee recommends that SARS receive a targeted infrastructure allocation over the MTEF to accelerate digital transformation, automation, and cybersecurity resilience.

Through annual budget engagements, the prioritisation of projects such as the Unique Digital Identity, the Instant Payment System (with the Reserve Bank) and customs modernisation has been agreed on. SARS is allocated R3.3 billion over the 2025 MTEF period for capital projects.

The Committee recommends that National Treasury review the Financial Intelligence Centre's (FIC) funding model to ensure sustainable resourcing of its intelligence, forensic and supervisory functions.

As per the normal budget process, the FIC submits its budget requirements to the National Treasury annually, which are considered in line with the fiscal framework and the capacity of the entity to spend allocated budgets. The FIC, particularly its forensic and supervisory functions, has been supported through the additional allocation of R265.3 million over the 2023 MTEF period and R119.1 million over the 2025 MTEF period. Furthermore, the FIC's application to retain its 2024/25 surpluses of R455 000 was supported by the National Treasury in the current year to enable the entity to fund additional obligations imposed by the Financial Action Task Force grey list announcement.

The Committee recommends that National Treasury review the Accounting Standards Board's (ASB) funding model to secure its long-term sustainability.

The ASB is funded from transfers from the fiscus, which is consistent with its founding legislation. As per the normal budget process, the ASB submits its budget requirements to the National Treasury annually, which are considered in line with the fiscal framework and the capacity of the entity to spend allocated budgets.

THE STANDING AND SELECT COMMITTEES ON FINANCE ON THE 2025 REVISED AND PROPOSED FISCAL FRAMEWORK

The Committee recommends that National Treasury publish, for parliamentary scrutiny, a comprehensive analysis of options for a formal fiscal anchor, including quantitative scenarios that show the effects of different anchor designs on the primary balance, debt-to-GDP path, debt-service costs and non-interest spending as a share of GDP. This should include explicit analysis of what happens to key social and economic functions if non-interest expenditure continues to decline from around 25.1 per cent of GDP in 2022/23 towards approximately 23.3 per cent by 2028/29, as highlighted by some submissions. The Committee further recommends that government deepen and transparently report on its strategy for reducing borrowing costs, including liability-management operations, active engagement with major lenders, and prudent use of instruments such as the GFECRA settlement and associated buffer, currently reflected at about R260 billion.

The National Treasury published the Fiscal Anchors Discussion Document in March 2025, and work is under way to present recommendations for consideration in the executive. Recognising that high debt creates structural vulnerability and significant socioeconomic costs, the National Treasury will commission Southern Africa – Towards Inclusive Economic Development (SA-TIED) research to strengthen the evidence base for a statutory sustainability standard, including distributional analysis, the service delivery effects of rising debt-service costs and quantitative scenario modelling (including implications for socioeconomic rights). These outputs will be shared with Parliament through the ongoing consultation process on the draft legislation. The National Treasury also reports

transparently in the annual budget on measures to reduce borrowing costs, including liability management operations and the prudent use of instruments such as the Gold and Foreign Exchange Contingency Reserve Account settlement and its associated buffer.

The Committee recommends that any additional revenue required over the medium term be raised primarily from progressive sources and that any consideration of changes to the VAT rate, particularly increases, be subjected to a detailed, quantitative distributional and poverty-impact assessment, to be tabled in Parliament before any decision is taken. This analysis should include the impact on households in different deciles, taking into account that the SRD grant is currently R370, compared to a food poverty line of about R760. The Committee further recommends that SARS be adequately resourced to strengthen enforcement, recover a greater share of outstanding and evaded taxes, and reduce the stock of disputed amounts, and that National Treasury publish a medium-term tax policy roadmap that explicitly sets out the intended balance between income, corporate and wealth-based taxes in achieving both revenue and equity objectives.

The National Treasury is committed to a long-term tax strategy focused on broadening the tax base, maintaining relatively low tax rates and strengthening tax administration to support sustainable revenue-raising and economic growth. Tax policy proposals seek an appropriate balance between core tax principles, considering equity, efficiency, simplicity, revenue-raising ability and the impacts of previous policy changes, with these trade-offs forming part of the annual evidence base for tax policy decisions. All tax policy changes proposed by the Minister of Finance follow a rigorous consultation and legislative process, including parliamentary engagement, and the National Treasury remains committed to transparent and constructive participation, while exploring options to enhance consultation where differing views arise.

The Committee recommends that, in implementing the Targeted and Responsible Savings (TARS) initiative and other reprioritisation measures, government ensure that core frontline services in basic education, health, social development, policing and local government are protected from further real per-capita erosion. National Treasury should provide Parliament with regular reports showing real per-capita expenditure by sector, taking into account population growth and inflation, and departments should be required to demonstrate that announced savings do not translate into further reductions in critical frontline posts or essential infrastructure maintenance.

The National Treasury reaffirms government's commitment to protecting core frontline services. About 60 per cent of non-interest expenditure is already allocated to social services, and recent budgets have provided additional funding to strengthen policing capacity. Implementation of the TARS initiative and other reprioritisation measures will continue to safeguard essential frontline services and the maintenance of key infrastructure. The National Treasury will also continue to provide Parliament with regular updates through the well-established quarterly expenditure reporting process to the appropriations committees.

The Committee recommends that National Treasury and the Department of Social Development table, ahead of the 2026 Budget, a comprehensive policy paper on the future of the SRD grant and possible basic income support options. This paper should quantify the fiscal costs and macroeconomic effects of alternative grant values and coverage (including values at or above the food poverty line) and set out clear financing options, including progressive tax measures. The

Committee further recommends immediate steps to improve SRD administration, reduce wrongful exclusions, and ensure that any move towards a more permanent income-support mechanism is accompanied by a credible funding strategy that does not entail disproportionate cuts to other essential social and developmental programmes.

The Department of Social Development is the lead department in this process, working closely with key partners such as the Department of Employment and Labour, the Presidency and the National Treasury. The extension of the *Social Relief of Distress (SRD) grant* for another year until 31 March 2027 was specifically intended to provide government with sufficient time to complete this policy work. As a result, a paper is not yet ready for tabling ahead of the 2026 Budget. While no fixed timelines have been agreed on, the intention is to complete the policy refinement before the 2026 MTBPS to ensure alignment with fiscal planning and implementation of priorities.

The Committee recommends that National Treasury and the relevant line departments provide quarterly project-level reports to Parliament on large infrastructure programmes, including spending against allocations, reasons for underspending, and corrective actions.

All approved Budget Facility for Infrastructure projects and programmes will be subject to specific reporting requirements and performance criteria to ensure cost efficiency and improved outcomes. An online portal is being developed to facilitate the reporting requirements and will become operational in 2026.

The Committee further recommends that National Treasury, working with shareholder departments, submit to Parliament, within 30 days of adoption of this report, a consolidated compliance report on all major support packages to Eskom and Transnet. This report should set out, for each facility and tranche of support, the full list of conditions, the current status of compliance with each condition, any waivers or relaxations granted, and the rationale for proceeding with new guarantees or disbursements where conditions remain outstanding. Thereafter, such information should be tabled at least quarterly. The Committee also recommends that government shift from largely reactive, transaction-by-transaction interventions towards a clear, long-term restructuring and recapitalisation strategy for key SOEs, with explicit milestones, governance reforms and, where appropriate, defined roles for private participation under safeguards that protect the public interest and universal access to essential services. Budget documentation should distinguish more explicitly between once-off recapitalisation linked to credible restructuring programmes and ongoing support that funds operating shortfalls and should include a transparent statement of total SOE-related fiscal exposure, including guarantees, on-budget transfers, quasi-fiscal support and contingent liabilities, together with an explanation of how these exposures are expected to evolve over the medium term.

The National Treasury presents compliance to conditions for government support packages on a quarterly basis to the Standing Committee on Appropriations.

The Committee recommends that the review of the local government funding model be accelerated and that the LGES formula be updated using the most recent census and survey data, with explicit modelling of the impact on municipalities of different sizes and profiles. The Committee further recommends that National Treasury and COGTA report to Parliament at least twice a year on the stock and flow of municipal arrears to Eskom and water boards, the number and outcomes of section

216 interventions, and the performance and spending patterns of municipalities receiving infrastructure and urban development grants, including targeted support and, where necessary, structured intervention mechanisms for municipalities with chronic underspending and persistent service-delivery failures.

The National Treasury is conducting a comprehensive review of the funding architecture, with finalisation targeted for October 2026. For the 2026 MTEF, household numbers will not be updated, as Census 2022-based data will only be available from January 2027. Similarly, Statistics South Africa has advised that updated poverty data will be collected through the Continuous Population Survey in 2027/28. To ensure stability, the 2026 MTEF local government equitable share formula will continue using the 2023/24 household estimates. Once new data becomes available, the formula will be updated to reflect differential municipal impacts and improve equity.

Information on municipal financial performance, including expenditure trends and underspending on infrastructure and urban development grants, is reported through existing in-year reporting processes.

The Committee recommends that National Treasury submit to Parliament, ahead of future borrowing decisions with multilateral and international financial institutions, a summary of proposed loans that sets out the amount, terms, conditionalities, on-lending arrangements and expected fiscal and distributional impacts. The Committee further recommends that all existing programme loans with such institutions be reported in a consolidated schedule in Budget Review documents, with clear information on purpose, disbursement status, repayment profiles and any associated policy conditions, to ensure that Parliament can exercise informed oversight over international borrowing and its alignment with national development priorities.

The National Treasury publishes information related to all loans and financing from multilateral development banks and international financial institutions in Chapter 7 of the *Budget Review*. The Minister of Finance is authorised by law to borrow on behalf of government.

The Committee recommends that government explicitly recognise Early Childhood Development (ECD) infrastructure and parenting support as strategic fiscal priorities in the MTDP and in future fiscal frameworks. In particular, National Treasury should explore options for ring-fencing or prioritising ECD-related infrastructure within existing grants such as the Municipal Infrastructure Grant, and for providing dedicated allocations for parenting support and nurturing-care interventions within health, education and social development budgets.

There is a ring-fenced allocation for ECD infrastructure within the *ECD grant*. These funds support ECD providers delivering an ECD programme in meeting basic health and safety requirements for registration and building low-cost ECD centres. There is also an earmarked allocation of R772.4 million over the medium term for piloting a nutrition support programme that targets low-cost ECD centres.

The Committee recommends that National Treasury publish a three-year excise roadmap for alcohol, tobacco and health-related levies that clearly indicates the expected path of tax rates relative to CPI and the 23 per cent incidence benchmark, supported by impact assessments on employment,

investment, revenue and health outcomes. The roadmap should also set quantitative targets for reducing the illicit alcohol and tobacco shares through enhanced enforcement, including joint SARS–SAPS operations, improved customs controls and the full implementation of an effective tobacco track-and-trace system. The Committee further recommends that Treasury provides Parliament with an updated, evidence-based assessment of the Sugary Beverages Tax, including scenarios for a 20 per cent rate and for broadening the base, and that any adjustments be designed to maximise health gains while protecting low-income households and jobs in the sugar industry.

The National Treasury is consulting with stakeholders on the alcohol excise policy review, which considers reforms including the setting of excise duty rates. The reform outcomes are expected towards the end of 2026 and will likely inform measures implemented on other excise duties. The reform process also considers the impact of illicit trade in excisable products and measures that need to be implemented by different stakeholders, including SARS working with other law enforcement agencies. SARS has already established the Syndicated Tax and Customs Crime Division, which is mandated to address issues related to syndicated tax and customs investigations. The National Treasury also continues to support SARS in strengthening its capacity to increase tax compliance.

The National Treasury will continue to update Parliament on the health promotion levy through established reporting channels. It will also engage with the national Department of Health on issues arising from the National Strategic Plan for the Prevention and Control of Non-Communicable Diseases, 2022–2027, including matters related to the levy.

The Committee also recommends that National Treasury and SARS ensure that senior political and administrative leadership are consistently present at key public hearings and deliberations on the fiscal framework and major policy changes, and that supporting documentation, including key modelling and discussion papers, is made available in good time to enable meaningful public participation. In addition, the Committee recommends that National Treasury and the South African Reserve Bank establish a mechanism for regular reporting to Parliament on the distributional effects of monetary policy, including impacts on household indebtedness, consumption and labour-market outcomes, to ensure that the implementation of the revised inflation target supports inclusive and sustainable economic growth.

The National Treasury commits to being represented at committee hearings in line with the requirements of the invitation forwarded by the committees for each hearing.

The Committee recommends that National Treasury, working with the Office of the Chief Procurement Officer, table a report to Parliament within six months setting out concrete measures to address overpricing and to strengthen consequence management in public procurement. This report should include plans to standardise price-benchmarking across major categories of goods and services, improve the integration of SIU and other investigative findings into supplier databases, and tighten processes for restricting and de-registering non-compliant suppliers. It should also report on the implementation and impact of the new e-procurement tools, including how they are being used by departments and entities to detect anomalies and prevent abuse.

The National Treasury notes the recommendation and is available to brief the committee and table a report at the committee's convenience and invitation.

The Committee recommends that National Treasury, SARS and the National Prosecuting Authority (NPA) jointly brief Parliament on a coordinated enforcement strategy for illicit trade, including a clear division of responsibilities, case-selection criteria, and measurable targets for investigations brought to court and successfully prosecuted. The Committee expects this briefing to include information on how SARS cases are referred to the NPA, the current status of major illicit-trade prosecutions, and any legislative or capacity constraints that require attention.

The National Treasury notes the recommendation and will brief Parliament accordingly, together with the relevant stakeholders, once invited to do so.

The Committee recommends that National Treasury, together with the Minister of Forestry, Fisheries and the Environment, develop and table options for strengthening fiscal buffers against climate-related and other systemic shocks. These options should include the potential creation of a dedicated climate resilience fund, opportunities to leverage international climate finance, and clear criteria for when and how such buffers are drawn down, to reduce the need for disruptive in-year reallocations away from core social and developmental programmes.

The National Treasury notes the committee's recommendation and will engage with the department on the matter. Government is already advancing this agenda. This includes the design of the Climate Change Response Fund (announced in February 2024) to mobilise adaptation finance, improve access to international climate funding and enhance disaster preparedness, alongside the draft Climate Risk Financing Strategy aimed at diversifying financing instruments, improving fund allocation and strengthening disaster-related data.

The Committee recommends that National Treasury, in conjunction with the Presidency, provide Parliament with a quarterly Operation Vulindlela tracker that sets out progress against clearly defined milestones in energy, logistics, water and telecommunications, and that indicates the expected growth and fiscal impact of any delays. In addition, the Committee recommends that National Treasury table a detailed report on the TARS process, including the list of programmes evaluated, the criteria used for assessing them, and how the R6.7 billion in identified savings have been reallocated to growth-enhancing infrastructure and priority services.

The National Treasury notes the recommendation. Quarterly reports are published on 30 January 2026, including a tracking dashboard. The Operation Vulindlela team is available to provide briefings to Parliament when invited. The impact of reforms on growth and associated costs are assessed on an ongoing basis, and these reports can be made available to Parliament. The National Treasury will provide further information on the TARS process in the 2026 Budget documentation.

The Committee recommends that the programming structures of Parliament ensure that future post-MTBPS and post-Budget engagements with the Minister of Finance and National Treasury are scheduled for a full day, starting at 09:00, to allow sufficient time for detailed briefings, multiple rounds of questions and adequate consideration of public submissions. The Committee further recommends that National Treasury submit, prior to launching its proposed multi-year fiscal literacy campaign, a concept note and implementation plan setting out the objectives, target audiences, delivery mechanisms, governance arrangements and measures to ensure non-partisan, inclusive public participation.

The National Treasury notes the recommendation. The scheduling, length and number of hearings after the tabling of the Budget and MTBPS is agreed to between the Minister of Finance and the leadership of committees.

THE SELECT COMMITTEE ON APPROPRIATIONS ON THE 2025 ADJUSTMENT APPROPRIATION BILL

National Treasury should, within 90 days of the adoption of this Report by the House, submit a targeted action plan addressing systemic causes of underspending, including procurement delays, inadequate project preparation and weak contract management, and must report quarterly to Parliament on progress.

The National Treasury will provide the required report as part of the well-established quarterly reporting process to the appropriation committees.

National Treasury and the Department of Social Development should, within 120 days of the adoption of this Report by the House, jointly present to Parliament costed options for improving the adequacy of the SRD grant, including inflation-indexing scenarios and medium-term enhancements aligned with poverty thresholds, or a plan for a sustainable alternative grant.

The SRD grant has been extended for one year until March 2027 to give government time to finalise a comprehensive policy on income support for working-age individuals without alternative means of livelihood. Government is also considering options to link the grant to skills development and employment opportunities. Further details on these proposals will be communicated in due course.

The Department of Health, together with National Treasury, should, within 120 days of the adoption of this Report by the House, develop and submit a multi-year financing strategy addressing health workforce pressures, HIV/TB programme requirements, infrastructure backlogs and system-strengthening priorities.

The National Treasury notes the committee's recommendation and will continue supporting the Department of Health in this regard. The National Treasury further notes that Parliament has full authority to engage directly with the Department of Health and request relevant information.

National Treasury should, within 120 days of the adoption of this Report by the House, conduct readiness assessments for all large infrastructure projects including, but not limited to, the uMkhomazi Water Project and submit a written report outlining bottlenecks, corrective measures and revised delivery timelines.

The National Treasury notes the committee's recommendation. The uMkhomazi Water Project is implemented by the Department of Water and Sanitation through the Trans-Caledon Tunnel Authority. The cause of delays that resulted in rescheduling of allocation has to do with the need for consultations and facilitation of the procurement process conducted by the department following the approval of allocations. The department plans to start the building works in 2028/29. The National Treasury will continue engaging with the department.

National Treasury should, within 90 days of the adoption of this Report by the House, institutionalise a poverty, gender and youth impact assessment framework for major fiscal adjustments and savings

proposals, and must submit the first consolidated annual assessment to Parliament within the next budget cycle.

While the intent of the recommendation is welcomed, it is important to note that sector leads undertake needs assessments informing priority gaps and may provide feedback on such assessments as and when Parliament requests it.

National Treasury and the Presidency should, within 90 days of adoption of this Report by the House, submit proposals outlining how future adjustments budgets will incorporate a youth lens aligned with national youth development and employment strategies, including strengthened support for transition programmes.

The National Treasury notes the recommendation and will engage with the Presidency and Department of Women, Youth and Persons with Disabilities on this matter.

National Treasury, together with the Department of Planning Monitoring and Evaluation should, within 120 days of the adoption of this Report by the House, develop and submit to Parliament a comprehensive national planning and forecasting improvement framework. This framework should strengthen departmental cost projections, enhance programme readiness assessments, establish early-warning mechanisms for emerging cost pressures, and introduce stricter internal oversight to ensure that future adjustment requests arise only from genuine unforeseen and unavoidable circumstances.

The National Treasury will engage with the Department of Planning, Monitoring and Evaluation, including on the scope, approach and implications of developing a national planning and forecasting improvement framework. Any such framework must be approved by Cabinet before dissemination.

STANDING COMMITTEE ON APPROPRIATIONS ON THE 2025 ADJUSTMENTS APPROPRIATION BILL

The Minister of Finance should ensure that National Treasury monitors and ensures that Parliament's appropriated funds through this 2025 Adjustments Appropriation Bill are utilised in a manner as envisaged in the Constitution, the Bill, their intended purposes and in compliance with all laws and regulations governing the country's public finances, within the context of a constrained fiscal environment, the high levels of unemployment, poverty and inequality that face the majority of South Africans on a daily basis.

The National Treasury notes and welcomes the committee's recommendation.

The committee recommends that the Minister of Finance ensures that National Treasury properly plan, fund and monitor to ensure that, as government shifts the composition of spending towards infrastructure investments over the 2026 MTEF period, these infrastructure investments are complemented by robust project management across the entire project lifecycle. It also recommends the establishment of a dedicated, ring-fenced budget for the ongoing repairs and maintenance of completed assets to safeguard the state's investments.

The National Treasury notes the committee's recommendation.

The committee recommends that the Minister of Finance ensures that National Treasury begin to build the necessary modelling techniques in collaboration with the South African Weather Service and proactively build fiscal buffers into the budget to mitigate climate-related shocks. This should involve integrating cost-benefit analyses for climate adaptation into planning to strengthen spending productivity and ensure the efficient, sustainable development of infrastructure.

The National Treasury notes the committee's recommendation and, together with Agence Française de Développement, the Development Bank of Southern Africa and the SA-TIED programme, is advancing the General Monetary and Multisectoral Macrodynamics for the Ecological Shift model, which integrates climate risks, investment needs and financial sector dynamics to support scenario analysis for large-scale green and water-energy-food investments. The model structure, calibration and baseline scenario have been finalised, with full operationalisation expected in 2026.

The committee recommends that the Minister of Finance and the Minister in the Presidency responsible for Planning, Monitoring and Evaluation ensure that additional funding allocated to Statistics South Africa for building the required capacity to allow the entity to produce credible and reliable data is utilised solely for that purpose. The Committee is strongly of the view that there should be stricter management of funds allocated to Stats SA; to avoid the possibility of this agency being compromised and its provision of official statistical data being questioned.

The National Treasury will impose conditions on additional funding allocated to Statistics South Africa to ensure that the department uses the funds for their intended purpose. The use of these funds will be monitored monthly through reports that the department is required to submit to the National Treasury in accordance with section 40(4)(c) of the PFMA.

The committee recommends that the Minister of Finance ensures that National Treasury tables a report before Parliament on the costs of the G20 events. The Committee is strongly of the view that such events should be better planned and any allocation of public funds towards these events must be accompanied by better planning; and funding allocation must never be done by the Executive without prior consultation with Parliament.

G20 activities were mainly funded through departmental reprioritisation, supplemented by private-sector sponsorships under the approved G20 Sponsorship Framework, with additional funding processed through the national budget system and appropriated by Parliament.

SELECT COMMITTEE ON 2025 APPROPRIATIONS ON THE DIVISION OF REVENUE AMENDMENT BILL

National Treasury should, within 90 days of the adoption of this Report by the House, submit a detailed technical explanation of the Provincial Equitable Share (PES) adjustments, including the demographic and gross domestic product (GDP) data used, how these shifts affect provinces in the outer years, and measures to improve the transparency and predictability of PES updates.

Annexure W1 of the 2026 Division of Revenue Bill provides a detailed technical explanation of the provincial equitable share, including the data used to update the provincial equitable share on an

annual basis. This information also illustrates the impact over the MTEF period, including the phasing of changes.

National Treasury, in consultation with the Financial and Fiscal Commission, should within 120 days of the adoption of this Report by the House, provide Parliament with an analysis of real per-capita provincial allocations in health, education and other social sectors, together with options to mitigate the impact of rising cost pressures on frontline service delivery.

The National Treasury notes the recommendation.

National Treasury and the Western Cape Department of Health should, within 90 days of the adoption of this Report by the House, provide Parliament with an implementation update on the ring-fenced allocations for the Belhar and Klipfontein Regional Hospital projects, confirming compliance with the 2025/26 allocation letter and outlining key milestones, expenditure plans and risk-mitigation measures.

The National Treasury notes the recommendation and will engage the Western Cape Department of Health to ensure that an update is provided to Parliament.

National Treasury, working with the affected metropolitan municipalities, should within 90 days of the adoption of this Report by the House, provide Parliament with an implementation update on the revised Urban Development Financing Grant baseline, detailing how the additional R2.1 billion will support trading services infrastructure, strengthen urban responsiveness, and improve delivery capacity in rapidly growing metros.

The National Treasury will provide an update to Parliament when invited to do so.

National Treasury should, within 120 days of the adoption of this Report by the House, submit a report to Parliament outlining interventions to strengthen provincial readiness for infrastructure delivery, including improvements to project preparation, procurement efficiency, and mechanisms to reduce persistent underspending in conditional grants.

The National Treasury is ready to brief Parliament on the relevant issues when invited to do so. It supports provincial readiness for infrastructure delivery through a range of interventions, including training on the content and operational manual of the infrastructure reporting model; workshops on the infrastructure delivery management system covering portfolio, programme, operations and maintenance, and project processes; as well as technical engagement through provincial infrastructure coordinating meetings chaired by the National Treasury.

National Treasury, working with the Department of Cooperative Governance and the National Disaster Management Centre and affected provincial and municipal departments, should within 60 days of the adoption of this Report by the House, provide Parliament with an implementation update on the ring-fenced disaster-recovery allocations, including verified project lists, progress on repairs, and measures to ensure full compliance with the amended grant frameworks.

The National Disaster Management Centre should provide the requested implementation update, as disaster management coordination and the verification of disaster-related interventions fall within its mandate.

National Treasury, working with the Department of Basic Education, should within 90 days of the adoption of this Report by the House, present a consolidated impact assessment on how reductions to the School Infrastructure Backlogs Grant (Indirect) will affect provinces, and what corrective steps will be taken to mitigate delays in addressing unsafe and inappropriate school structures.

The National Treasury will support the Department of Basic Education in providing an impact assessment of how the shifting of funds from the school infrastructure backlogs grant to the education infrastructure grant will affect provinces and the mitigating measures implemented.

The National Treasury, together with provincial counterparts, should within 120 days of the adoption of this Report by the House, present a concrete plan to improve conditional grant performance by strengthening project preparation, tightening planning requirements, and accelerating procurement processes across all spheres, with clear accountability measures for recurring delays and weak implementation.

The National Treasury notes the recommendation and will report to the committee on invitation. Grant performance is monitored through the infrastructure reporting model, including analysis of expenditure and cash flows, supported by annual provincial site visits assessing project performance, alignment with provincial priorities and the Medium-Term Development Plan, value for money and implementation challenges. The Framework for Infrastructure Delivery and Procurement Management sets minimum requirements for infrastructure planning, procurement and stage-gate reviews to strengthen accountability.

National Treasury, together with the departments of Basic Education, Health, Human Settlements and Cooperative Governance, should within 120 days of the adoption of this Report by the House, present a revised reporting framework for conditional grants that strengthens outcome-based monitoring and ensure that performance reports reflect actual implementation progress, service delivery outputs and the resolution of backlogs, rather than expenditure only.

The recommendation is noted. The duties of the Transferring Officer and Receiving Officer, as outlined in sections 9–12 of the Division of Revenue Act, stipulate the various financial and non-financial performance reporting requirements and measures in place. In-year monthly expenditure and quarterly non-financial performance reports and evaluations measure the performance of conditional grants. As an additional measure, the National Treasury conducts mid-year visits annually to monitor expenditure and performance across all provinces.

National Treasury, together with the Department of Cooperative Governance and all relevant sector departments, should within 120 days of the adoption of this Report by the House, submit a coordinated plan to improve intergovernmental planning alignment, specifically between Integrated Development Plans (IDPs), provincial plans, and conditional grant frameworks, with clear measures to strengthen project readiness, accelerate disaster-related implementation, and ensure that infrastructure grants are supported by credible, synchronised planning across all three spheres.

The National Treasury notes the recommendation and will brief and report to the committee on invitation.

National Treasury, together with the Department of Cooperative Governance and the South African Local Government Association (SALGA), should within 60 days of the adoption of this Report by the House, submit to Parliament a detailed plan to enforce the settlement of outstanding debts owed by national and provincial departments to municipalities. This plan should include verified arrear amounts, timelines for repayment, remedial actions for persistent non-compliance, and measures to prevent the recurrence of government non-payment, given its direct impact on municipal liquidity and basic service delivery stability.

The National Treasury is working with COGTA and SALGA on this matter. SALGA is the lead entity and is compiling a plan to resolve this matter.

National Treasury, the Department of Cooperative Governance, and the South African Local Government Association (SALGA) should, within 90 days of the adoption of this Report by the House, develop a strategy to address municipal revenue collection challenges, including the review of indigent policies, cost-reflective tariffs, and mechanisms to enforce payment of debts owed to Eskom and water boards.

The National Treasury notes the recommendation. It provides support to all 257 municipalities through tools and training aimed at improving revenue collection, including cost-reflective tariffs and revenue base completeness.

National Treasury, together with Statistics South Africa and the South African Local Government Association (SALGA), should within 120 days of the adoption of this Report by the House, provide Parliament with a detailed plan to update the Local Government Equitable Share formula using the latest available demographic and service-demand data, including timelines and measures to ensure that fast-growing municipalities receive fair and adequately adjusted allocations.

The National Treasury notes the recommendation. A key challenge in updating the local government equitable share formula with poverty data is the lack of reliable municipal-level poverty and income measures. It would therefore be valuable for Parliament to request that Statistics South Africa brief directly on the data constraints and mitigation options, noting that Statistics South Africa has indicated to the National Treasury that the Continuous Population Survey – a new, ongoing population survey intended to close these demographic and socioeconomic data gaps – should start producing outputs suitable for this purpose from 2027/28.

National Treasury, together with the Department of Cooperative Governance and in consultation with the South African Local Government Association (SALGA), should within 60 days of the adoption of this Report by the House, provide Parliament with the list of municipalities placed under indirect Municipal Infrastructure Grant (MIG) delivery, the reasons for their selection, and the support measures planned for these municipalities

COGTA is better placed to provide Parliament with the requested list of municipalities under indirect municipal infrastructure grant (MIG) delivery, the reasons for their selection and the planned

support measures, given the department's role in administering and overseeing the MIG programme. The criteria and conditions informing indirect delivery arrangements are set out in the MIG conditional grant framework, which guides the identification of municipalities, the rationale for intervention and the accompanying support measures. The National Treasury will support the department as required.

National Treasury, together with relevant sector departments, should within 120 days of the adoption of this Report by the House, provide Parliament with an implementation plan outlining the broader fiscal reforms required to strengthen provincial and municipal resilience. This plan should prioritise measures to improve the sustainability of the intergovernmental fiscal system, enhance long-term service delivery capacity, and address the structural pressures that the Division of Revenue Amendment Bill is unable to resolve through technical adjustments alone.

Ongoing reviews will clarify funding–function challenges and inform structural reforms, particularly at local government level, including functional assignments. The 120-day report will cover the review of the 1998 White Paper on Local Government, but broader local government fiscal reforms will only conclude by October 2026. The implementation plan will therefore adopt a sequenced approach to addressing structural pressures, such as unfunded mandates, rising non-discretionary costs and infrastructure backlogs, while remaining aligned with review processes and intergovernmental consultations.

The Minister of Finance must ensure that National Treasury tables a comprehensive progress report before Parliament over the rationalisation of government expenditures, size and composition of the State. The Committee wants to satisfy itself that as government embarks on the exercise of improving the efficiency and effectiveness of public spending through the implementation of the TARS initiatives, these reviews must not only be done to social grant recipients but to all sectors of government as per TARS objectives.

The National Treasury notes the recommendation and will provide a briefing if invited to do so.

The Minister of Finance must ensure that National Treasury and South African Social Security Agency (SASSA) finalise the review of social grant recipients in order to eliminate prospective delay and efficacy in functioning of SASSA and its operational budget. Furthermore, the Committee recommends that National Treasury review other government agencies and the Sector Education and Training Authorities and assess if they are all in line with the strategic objectives of the government to achieve efficient functioning of government.

The National Treasury notes the recommendation.

THE SELECT COMMITTEE ON APPROPRIATIONS ON THE 2025 MTBPS

The committee recommends that the Minister of Finance ensures that National Treasury monitors and ensures that all the MTEF funding proposed in this MTBPS is allocated and spent in the manner envisaged in the Constitution, including the proposed structural reforms, appreciating the levels of unemployment, poverty and inequality within the South African context.

The National Treasury notes the recommendation.

The committee recommends that the Minister of Finance ensures that the National Treasury ensure that all relevant Government institutions from National, Provincial and Local government undertake the employee verification process to eliminate the prevalence of ghost workers within the State to ensure accurate quantification of the size of government employees for proper and accurate budgeting. This process must be accompanied by clear timeframes to allow Parliament to exercise its oversight role on this process and its ultimate outcomes.

The National Treasury notes the recommendation. A national verification process has commenced and engagements to finalise timelines for the verification process are ongoing, ensuring Parliament can exercise oversight over the outcomes.

The committee recommends that the Minister of Finance must ensure that while Government considers the review of the community education and training sector as well as the skills development landscape to determine how to improve outcomes, this process must be extended to all the SETAs for the same purposes, but also to determine their relevance, efficiency and effectiveness, with clear timeframes to allow Parliament to exercise its oversight role on this process and its ultimate outcomes.

The National Treasury notes the recommendation.

The committee recommends that the Minister of Finance and the Minister of Correctional Services ensure that National Treasury and the Department of Correctional Services speedily reprioritise the required funding to allow the Department of Correctional Services to take over the two public-private partnerships prisons, Mangaung and Kutama-Sinthumule correctional facilities. The Committee is of the view that funding-related challenges should not be a justification to delay this process. Furthermore, Government must always move and be seen to be moving with the required speed on issues of public interest.

The Department of Correctional Services is reprioritising R2.8 billion over the medium term to take over Mangaung and Kutama-Sinthumule public-private-partnership correctional centres in June 2026 and February 2027, respectively.

The committee recommends that the Minister of Finance and the Minister of Cooperative Governance ensure that National Treasury and the Department of Cooperative Governance monitor and ensure that the proposed reforms and the transfer of funds from the urban settlements development grant to the performance based urban development financing grant is accompanied by clear performance targets, transparent reporting, and targeted capacity support. Both the National Treasury and the Department of Cooperative Governance and Traditional Affairs should closely monitor implementation, assess the impact of the performance-based component on infrastructure management, and extend successful lessons to large secondary cities where appropriate.

The National Treasury notes the recommendation.

The committee recommends that the Minister of Finance and the Minister of Health ensure that National Treasury and the Department of Health provide a comprehensive report and a government position paper to Parliament indicating the overall implications (both financial and health) of the withdrawal of the US President's Emergency Plan for AIDS Relief (PEPFAR) funding. Furthermore, National Treasury and the Department of Health must comprehensively report to Parliament as to why PEPFAR cannot be adequately funded from the fiscus, as opposed to relegating that responsibility to Provinces whom by own government's acknowledgement are struggling to fund all their constitutional obligations due to their remitted revenue base. This comprehensive report must also reflect on overall implications of relegating this responsibility to each Province, given their varying degrees of financial and developmental dynamics.

The National Treasury notes the recommendation.

THE SELECT COMMITTEE ON APPROPRIATIONS ON THE 2025 SPECIAL APPROPRIATION BILL

The Minister of Health, in collaboration with the Minister of Finance, should, by the 2026 Budget, table before Parliament, a clear policy statement outlining measures to reduce donor dependency and safeguard continuity of HIV and Tuberculosis (TB) services.

The National Treasury notes the recommendation and will support the Department of Health. However, it should be noted that the majority of core HIV/AIDS service delivery inputs such as antiretroviral drugs, laboratory tests, medical supplies and human resources are already domestically funded.

The National Treasury should, by the tabling of the 2026 Medium Term Budget Policy Statement, indicate how emergency health allocations will be transitioned into sustainable baseline funding over the Medium-Term Expenditure Framework (MTEF).

The National Treasury continues to work with the national Department of Health to assess the medium-term funding requirements of the HIV/AIDS and TB response through the established budget processes.

The National Treasury should, in the 2026 Division of Revenue Bill, strengthen support to provincial health departments through realistic funding assumptions and enhanced oversight to mitigate accruals and service delivery risks.

In responding to funding pressures in the health sector, the National Treasury has noted that waste, fraud and inefficiencies need to be addressed in the sector. In the meantime, the 2026 Division of Revenue Bill has made additions to the equitable share to fund compensation of employees, absorbing unemployed doctors and addressing goods and services shortfalls. These additions amount to R21.3 billion over the 2026 MTEF period and have taken into consideration the needs of provincial departments.

The National Treasury should, with effect from the 2026/27 financial year, strengthen conditions, reporting requirements, and safeguards on health-related Provincial Equitable Share (PES) allocations to prevent diversion of funds and ensure accountability.

The provincial equitable share is a constitutionally-protected entitlement of provinces and is thus unconditional. Any additions that fall outside the equitable share are for specific purposes and are communicated through allocation letters. Through budget engagements, allocations are then analysed against the purpose of the allocation. Continuous engagements between the National Treasury and provinces aim to ensure that allocations are directed to the intended purpose.

The National Treasury and the Department of Health should, by 31 March 2026, report to Parliament on progress in strengthening governance, including the rollout of e-procurement systems and the enforcement of consequence management and the implementation of safeguarding measures to ensure that the funds allocated in terms of this Bill are not absorbed into the ordinary equitable share allocations of provinces.

The legally binding and auditable procurement rules of government apply to all funds appropriated by Parliament. Implementation falls under the prescripts of existing financial management legislation and regulations, and no exemptions from prevailing rules have been granted. The allocations to provinces, which make up the bulk of the amounts in the bill, are ring-fenced through the comprehensive HIV/AIDS component of the *district health programmes grant* and cannot be absorbed into the equitable share allocations of provinces.

The Minister of Health and the Minister of Finance should jointly table a costed, multi-year HIV and TB financing strategy to Parliament by the tabling of the 2026 Budget.

The National Treasury notes the recommendation and will support the Department of Health in this regard.

The National Treasury should, over the 2026 Medium Term Expenditure Framework (MTEF), progressively shift the health financing framework away from ad hoc emergency interventions towards a predictable, equitable and sustainable funding model.

The health sector is not generally funded through ad hoc interventions but rather through the established MTEF process. When the Minister of Finance authorised funding for HIV/AIDS and TB under section 16 of the PFMA (authorises funding in emergency situations), the intention was to address only the most urgent needs arising from the abrupt withdrawal of the U.S. Agency for International Development component of PEPFAR funding.

THE SELECT COMMITTEE ON APPROPRIATIONS ON THE PROPOSED DIVISION OF REVENUE AND CONDITIONAL GRANT ALLOCATIONS TO PROVINCES AND MUNICIPALITIES AS CONTAINED IN THE 2025 MTBPS

National Treasury should, within 60 days of the adoption of this Report by the House, outline how additional provincial allocations for health and education in the 2026 Division of Revenue Bill will be accompanied by clear performance expectations and strengthened oversight mechanisms to

improve frontline service delivery and address governance weaknesses in underperforming provinces.

The National Treasury notes the recommendation and will brief the committee when invited to do so.

National Treasury, together with the National Department of Health should, within 120 days of the adoption of this Report by the House, require provincial health departments to submit credible, costed transition plans for absorbing the United States President's Emergency Plan for AIDS Relief (PEPFAR)-related services into provincial baselines over the Medium-Term Expenditure Framework (MTEF). These plans should then be incorporated into future health grant and equitable share allocations to safeguard continuity of HIV/TB and other critical services.

The national Department of Health, working together with provincial departments of health, has already received transitional plans from each province. These were shared with the National Treasury and informed the in-year allocations in terms of section 16 of the PFMA. The Department of Health can brief Parliament on these plans when invited to do so.

The Minister of Finance should, within 90 days of the adoption of this Report by the House, provide a framework indicating how the 2026 Medium Term Expenditure Framework (MTEF) compensation allocations for provincial education departments will be aligned with realistic workforce planning, including strategies to address educator shortages, manage class sizes and expand quality ECD in provinces with the greatest needs.

The National Treasury notes the recommendation and can brief the committee when invited to do so.

National Treasury should, within 60 days of the adoption of this Report by the House, initiate a formal review of the Provincial Equitable Share (PES) formula, in consultation with provincial treasuries and relevant stakeholders, to ensure that updated demographic, migration, urbanisation and poverty data are adequately reflected in the formula ahead of the 2027 Medium Term Expenditure Framework (MTEF).

This review is already under way, encompassing the areas highlighted by the committee. It is being conducted by a dedicated task team comprising officials from the National Treasury and representatives from provincial treasuries in collaboration with the Financial and Fiscal Commission, Statistics South Africa and other relevant stakeholders to gather input and expertise. Additionally, the review extends to examining the weights for various components of the formula to ensure a more accurate and equitable distribution of resources.

The Minister of Finance should, within 90 days of the adoption of this Report by the House, issue clear guidelines and transitional arrangements to support the merger of the Comprehensive Agricultural Support Programme (CASP) Grant and the Ilima/Letsema Project Grant from 2026/27, including capacity-building support to provinces and measures to strengthen extension services, post-settlement support and market access for smallholder and subsistence farmers

The merger of the two grants was presented to Parliament as part of the 2024 MTBPS. The National Treasury is available to brief Parliament and support the sector department on this matter.

National Treasury and the Department of Basic Education should, within 90 days of the adoption of this Report by the House, develop and publish a framework to guide the merger of the School Infrastructure Backlogs Grant (SIBG) into the Education Infrastructure Grant, ensuring that the eradication of unsafe school structures and sanitation backlogs remains prioritised, particularly in provinces with the largest infrastructure deficits.

The *education infrastructure grant* framework in the 2026 Division of Revenue Bill, as presented to Parliament, includes conditions that enforce the merging of the *school infrastructure backlogs grant* (SIBG) into the *education infrastructure grant*, while ensuring unsafe school structures and sanitation backlogs remain prioritised. These include R4.7 billion from the SIBG to be merged over the 2026 MTEF period for priority projects; R1.2 billion in 2026/27 for sanitation improvements in the Eastern Cape, KwaZulu-Natal and Limpopo; and a requirement that provinces prioritise eliminating pit latrines, rehabilitating storm-damaged schools and replacing asbestos or inappropriate structures.

The Minister of Finance should, within 60 days of the adoption of this Report by the House, submit a plan on how increases in the local government share over the 2026 Medium Term Expenditure Framework (MTEF) will be aligned with targeted support for revenue management, asset maintenance and funded budgets, ensuring that operating transfers lead to measurable improvements in municipal financial health and service delivery.

The National Treasury notes the recommendation. The reviews of the White Paper on Local Government and the local government fiscal framework are ongoing, and they will be critical in quantifying the scale and nature of the funding–function misalignment affecting municipalities.

National Treasury, working with the Department of Cooperative Governance and relevant sector departments should, within 90 days of the adoption of this Report by the House, publish integrated planning requirements to guide the shifting of funds from the Urban Settlements Development Grant to the Urban Development Financing Grant, ensuring alignment between trading services, spatial transformation and human settlement objectives in metropolitan municipalities.

The National Treasury, in collaboration with COGTA and relevant sector departments, is developing integrated planning requirements to guide the shifting of funds from the *urban settlements development grant* to the *urban development financing grant*. The requirements will be published within 90 days of the House adopting the report and will ensure alignment between metropolitan trading services, spatial transformation priorities and human settlement objectives.

The Minister of Finance should, within 60 days of the adoption of this Report by the House, provide a design framework for the merged Integrated National Electrification Programme (municipal) Grant and the Energy Efficiency and Demand-Side Management Grant, including differentiated support, technical assistance and project preparation measures aimed at helping under-capacitated municipalities improve electrification access, demand-side management and maintenance of distribution networks.

The new grant framework is being finalised and will be published as part of the 2026 Budget.

National Treasury and the Department of Cooperative Governance should, within 60 days of the adoption of this Report by the House, finalise and publish clear implementation timelines for the review of the local government fiscal framework and the 1998 White Paper, including proposals for functional assignments and funding instruments, to guide progressive incorporation into the 2026/27 Division of Revenue Bill and future Medium Term Expenditure Framework (MTEF) cycles.

The two reviews have different timelines: the 1998 white paper review is expected to be finalised by end-March 2026. The local government fiscal framework review will rely on the outcomes of the white paper review, particularly the principles, policy direction and proposals on functional assignments, before responding through the design of associated funding instruments. The framework review is expected to be finalised in October 2026. The findings from these processes will inform feasible proposals that can be progressively incorporated into the 2027 Division of Revenue Bill process and subsequent MTEF cycles, in line with applicable governance and consultative processes.