

**D**

**2026 BUDGET REVIEW**  
**PUBLIC-SECTOR  
INFRASTRUCTURE AND  
PUBLIC-PRIVATE  
PARTNERSHIPS UPDATE**



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**



## INTRODUCTION

This annexure analyses investment trends, reviews planned public infrastructure spending and provides updates on infrastructure reforms and the status of major capital projects.

High levels of investment in public infrastructure are fundamental to long-term economic growth, service delivery, job creation and climate resilience. Investing in transport and logistics networks, energy systems and digital infrastructure lowers the cost of doing business, raises productivity and improves access to markets. Investments in quality healthcare, education and affordable housing build human capital, reduce inequality and improve living standards. Integrating climate adaptation and resilience into infrastructure planning and delivery safeguards public assets and mitigates the escalating impacts of climate change.

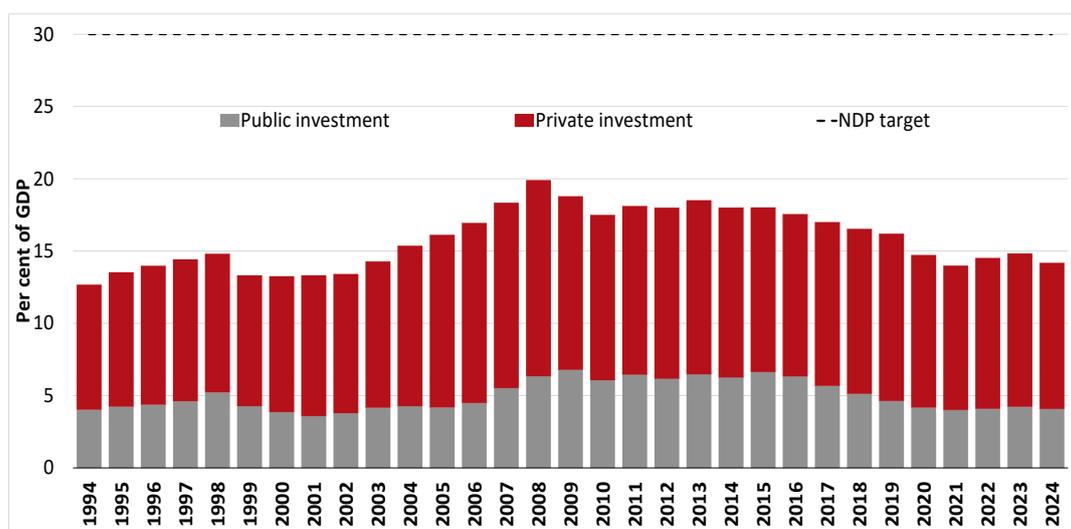
Government has introduced a series of reforms to improve the quantity and quality of infrastructure delivery. The reforms aim to crowd in private-sector finance and technical expertise at scale. They will also strengthen public-sector capability to deliver projects more effectively and efficiently.

## FIXED INVESTMENT TRENDS

Over the past decade, fixed investment has been well below the National Development Plan’s 30 per cent of GDP target. Real gross fixed-capital formation, a measure of fixed investment, declined by 3.9 per cent in 2024 following a 3 per cent increase in 2023. As a share of GDP, fixed investment declined to 14.2 per cent in 2024 from 14.8 per cent in 2023, with private-sector investment accounting for 10.1 per cent of GDP against the public sector’s 4.1 per cent.

Weak economic growth, inefficient public investment management and limited state capacity contributed to weak public investment, while policy uncertainty, supply-side constraints and waning investor confidence contributed to weak private investment. Fixed investment has not returned to pre-COVID-19 levels, as Figure D.1 shows.

**Figure D.1 Public- and private-sector capital investment as a share of GDP, 1994–2024**



Source: South African Reserve Bank

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Government's budget reforms aim to reverse systemic under-investment in public infrastructure. Capital payments are the fastest-growing item of government expenditure over the medium term. This will improve access to public services, expand the economy's productive capacity and unlock higher private investment.

#### PUBLIC-SECTOR INFRASTRUCTURE SPENDING HIGHLIGHTS

Table D.1 summarises government's infrastructure spending plans for the next three years across all spheres including state-owned companies and other public entities. Public-sector infrastructure spending over the 2026 medium-term expenditure framework (MTEF) period is estimated at R1.07 trillion. State-owned companies continue to be the largest contributor to capital investment, spending a projected R445.5 billion over the next three years. Provinces are expected to spend R217.8 billion on infrastructure over the same period, with municipalities projected to spend R205.7 billion.

Transport and logistics account for the largest share of spending over the next three years, followed by energy, water and sanitation, and social sectors such as health and education.

**Table D.1 Public-sector infrastructure expenditure and estimates**

| R billion                            | 2022/23      | 2023/24      | 2024/25      | 2025/26          | 2026/27               | 2027/28      | 2028/29      | MTEF           |
|--------------------------------------|--------------|--------------|--------------|------------------|-----------------------|--------------|--------------|----------------|
|                                      | Outcomes     |              |              | Revised estimate | Medium-term estimates |              |              | Total          |
| Energy                               | 38.7         | 46.1         | 50.6         | 59.2             | 69.0                  | 74.4         | 70.3         | 213.6          |
| Water and sanitation                 | 35.4         | 27.5         | 48.6         | 62.7             | 61.2                  | 60.8         | 63.2         | 185.2          |
| Transport and logistics              | 86.4         | 75.1         | 109.6        | 130.7            | 135.8                 | 147.4        | 134.4        | 417.6          |
| Other economic services              | 18.9         | 48.1         | 21.4         | 24.6             | 21.9                  | 21.9         | 21.7         | 65.4           |
| Health                               | 11.9         | 13.1         | 13.6         | 15.8             | 14.5                  | 14.4         | 14.6         | 43.5           |
| Education                            | 21.1         | 14.5         | 19.8         | 19.1             | 18.7                  | 20.2         | 19.5         | 58.5           |
| Human settlements <sup>1</sup>       | 14.3         | 21.3         | 17.2         | 18.1             | 15.5                  | 16.2         | 16.7         | 48.4           |
| Other social services                | 3.3          | 0.5          | 3.5          | 4.6              | 3.7                   | 3.1          | 3.1          | 9.8            |
| Administration services <sup>2</sup> | 9.0          | 10.7         | 7.4          | 10.5             | 8.8                   | 9.3          | 6.3          | 24.4           |
| <b>Total</b>                         | <b>238.8</b> | <b>256.9</b> | <b>291.7</b> | <b>345.2</b>     | <b>349.0</b>          | <b>367.6</b> | <b>349.7</b> | <b>1 066.4</b> |
| National departments                 | 13.2         | 14.2         | 13.8         | 16.1             | 12.8                  | 13.6         | 13.8         | 40.2           |
| Provincial departments               | 60.1         | 73.2         | 71.5         | 78.9             | 74.1                  | 71.6         | 72.2         | 217.8          |
| Local government                     | 64.7         | 56.8         | 72.0         | 71.0             | 68.9                  | 67.4         | 69.5         | 205.7          |
| Public entities <sup>3</sup>         | 26.8         | 26.4         | 25.9         | 40.2             | 41.9                  | 46.9         | 43.1         | 131.9          |
| Public-private partnerships          | 6.0          | 6.8          | 7.1          | 7.8              | 8.2                   | 8.3          | 8.7          | 25.2           |
| State-owned companies <sup>3</sup>   | 67.9         | 79.4         | 101.4        | 131.2            | 143.2                 | 159.9        | 142.4        | 445.5          |
| <b>Total</b>                         | <b>238.8</b> | <b>256.9</b> | <b>291.7</b> | <b>345.2</b>     | <b>349.0</b>          | <b>367.6</b> | <b>349.7</b> | <b>1 066.4</b> |

1. Human settlements includes public housing and bulk infrastructure amounting to R48.4 billion over the MTEF period

2. Administration services include infrastructure spending by the departments of International Relations and Cooperation, Home Affairs, and Public Works and Infrastructure, and Statistics South Africa and their entities

3. Public entities are financed by capital transfers from the fiscus and state-owned companies are financed from a combination of own revenue and borrowings

Source: National Treasury

**Table D.2 Public-sector infrastructure budgets and underspending**

| R billion                   | 2022/23      |                | 2023/24<br>Outcome |                | 2024/25      |                | 2025/26<br>Estimates |                |
|-----------------------------|--------------|----------------|--------------------|----------------|--------------|----------------|----------------------|----------------|
|                             | Budget       | Under-spending | Budget             | Under-spending | Budget       | Under-spending | Budget               | Under-spending |
| National departments        | 17.5         | -24.5%         | 15.3               | -7.0%          | 14.3         | -3.6%          | 15.0                 | 7.3%           |
| Provincial departments      | 61.0         | -1.6%          | 69.3               | 5.6%           | 63.4         | 12.7%          | 75.5                 | 4.5%           |
| Local government            | 63.0         | 2.7%           | 61.4               | -7.4%          | 67.9         | 6.0%           | 67.7                 | 4.9%           |
| Public entities             | 27.3         | -1.7%          | 31.2               | -15.4%         | 32.7         | -20.7%         | 45.3                 | -11.2%         |
| Public-private partnerships | 7.1          | -15.1%         | 7.1                | -4.3%          | 6.3          | 12.2%          | 7.9                  | -1.3%          |
| State-owned companies       | 73.6         | -7.7%          | 79.3               | 0.2%           | 112.9        | -10.2%         | 126.0                | 4.1%           |
| <b>Total</b>                | <b>249.5</b> | <b>-4.3%</b>   | <b>263.6</b>       | <b>-2.6%</b>   | <b>297.5</b> | <b>-2.0%</b>   | <b>337.4</b>         | <b>2.3%</b>    |

*The negative percentages indicate underspending*

*Source: National Treasury*

In 2025/26, the public sector is expected to reverse the pattern of underspending reported in previous years and there are early signs of stronger execution. Underspending narrowed to R5.8 billion in 2024/25 from R6.7 billion in 2023/24. As government continues to shift the composition of spending towards growth-enhancing infrastructure, the focus is on improving value for money and the quality of spending. This includes addressing project delays, cost overruns and poor construction quality, which reflect weak planning and preparation, rigid and lengthy procurement processes, wasteful expenditure, weak contract management and disruptions linked to business forums.

Over the medium term, government's reforms aim to improve project readiness and ensure that capital allocations translate into timely and durable infrastructure outcomes.

## SECTOR UPDATES

### Transport and logistics

Investment in the transport and logistics sector is focused on upgrading roads infrastructure and restoring passenger and freight rail networks.

Over the next three years, Transnet plans to invest R76.6 billion to improve the efficiency and reliability of the logistics value chain. This investment will support greater private-sector participation across the iron ore and manganese, coal and chrome, and container and automotive intermodal corridors.

The Passenger Rail Agency of South Africa will prioritise the mega-signalling programme to modernise and restore rail signalling and telecommunications infrastructure. This programme will systematically replace obsolete and vandalised signalling assets. It will also introduce modern, technology-driven systems essential to improve safety, increase train frequencies and expand network capacity. The programme also underpins the rolling stock fleet renewal programme.

The South African National Roads Agency Limited will invest in toll and non-toll roads ensuring long-term network resilience, improved road infrastructure quality and enhanced mobility and economic connectivity.

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The *provincial roads maintenance grant* is allocated R54.2 billion over the same period to rehabilitate, reseal and re-gravel roads.

## **Energy**

Generation capacity is being expanded, battery storage is being increased and the transmission network is being strengthened to improve security of supply and mobilise private investment.

The *Renewable Energy Independent Power Producer Procurement Programme* has to date delivered signed agreements for 9 771 megawatts (MW) of new renewable energy generation and battery energy storage capacity, and 1 005 MW of peaking power capacity. The total committed investment associated with these projects amounts to R298.9 billion, of which R9.7 billion relates to peaking power projects.

Since April 2025, eight projects have reached commercial operation, adding 800 MW to the grid. By the end of December 2025, a total of 7 741 MW of contracted capacity was operational, including peaking capacity. A further 1 610 MW was under construction at end-December 2025, with these projects expected to reach commercial operation between 2026 and 2028.

Under the *Risk Mitigation Independent Power Producer Procurement Programme*, three projects totalling 150 MW were fully operational by end-December 2025 and further capacity is under construction.

Under the fifth bid window, six projects totalling 645 MW reached commercial operation in 2025, while a further five projects with 514 MW capacity were under construction. Under the sixth bid window, two projects totalling 360 MW were under construction and four projects totalling 640 MW were finalising conditions ahead of financial closure. The seventh bid window procured 18 bidders with a total capacity of 3 940 MW of solar photovoltaic projects to be developed across the Limpopo, Free State, North West and Mpumalanga provinces.

Under the first battery storage bid window, five preferred bidders with a combined capacity of 513 MW entered the construction phase, with the final project reaching commercial close during 2025. Under the second and third storage bid windows, eight projects totalling 615 MW and five projects totalling 616 MW, respectively, were progressing towards commercial close as at the end of December 2025.

Government issued the request for pre-qualification stage of the first phase of the *Independent Transmission Projects Procurement Programme* on 31 July 2025 to deliver about 1 164 kilometres of new transmission infrastructure. Seven pre-qualified bidders were appointed following an independent evaluation process. A draft request for proposals was issued to the seven bidders and the final request for proposals will be released in the third quarter of 2026/27.

An amended request for proposals for the first bid window of the *Gas Independent Power Producer Procurement Programme*, aimed at procuring 2 000 MW of new gas-fired generation capacity, together with ancillary services and energy output, was issued on 20 October 2025. The bid submission deadline has been set for 29 May 2026.

## Water and sanitation

Investments in the water and sanitation sector are directed towards high-impact bulk water augmentation schemes, refurbishment of existing infrastructure and strategic projects serving economic nodes and households.

The second phase of the Lesotho Highlands Water Project is under way. The Trans-Caledon Tunnel Authority (TCTA) has raised R24 billion towards the revised total estimated capital investment of R53.3 billion, which includes delivering water to South Africa. Construction is under way on the three main contracts: the Polihali Dam, the Polihali to Katse Dam transfer tunnel, and the Senqu Bridge. Construction progress on the Polihali Dam exceeds 35 per cent, while progress on the transfer tunnel is above 45 per cent. Both components remain below planned baselines due to contractor performance and challenging ground conditions. The latest projected completion window for the project is between September 2029 and June 2031, with tunnel completion expected between December 2028 and February 2030, and first water delivery projected in 2029/30.

The second phase of the Mokolo-Crocodile River Water Augmentation Project is scheduled for completion in 2030, with an estimated capital investment of R12.3 billion. The scheme will supply about 75 million cubic meters of water annually, supporting the needs of surrounding communities and water requirements for Medupi Power Station's flue gas desulphurisation. TCTA has secured funding through a blended finance structure.

The uMkhomazi Water Augmentation Project is scheduled to be completed by 2032, with an estimated capital investment of R24 billion supported by a R12 billion allocation from the Budget Facility for Infrastructure (BFI). In addition, credit enhancement mechanisms are being applied to crowd in private-sector investment.

The second phase of the *Olifants Management Model Programme* is scheduled for completion by 2030, with capital investment estimated at R25 billion. The Department of Water and Sanitation has appointed Badirammogo Water User Association as an implementing agent for this phase. The BFI will provide half of the funding for the pipeline from Flag Boshielo Dam to the Sekuruwe water treatment works in Mogalakwena. Phase 2D and 2F have also been approved for funding through the BFI over the medium term, supporting the phased rollout of bulk water infrastructure.

The Berg River-Voëlvllei Augmentation Scheme is scheduled for completion by 2027, with an estimated capital investment of R1.1 billion. TCTA, as the implementing agent, reached financial close in June 2025, supported by government guarantees and loan facilities from development finance institutions and commercial banks.

## Digital infrastructure

Investment in digital infrastructure strengthens national research capability, enables data-intensive innovation and expands broadband connectivity.

Implementation of the Square Kilometre Array (SKA) project in the Northern Cape continues to advance. Government has allocated R1.3 billion to the South African Radio Astronomy Observatory

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for the data-hosting infrastructure, which will be delivered over the 2026 MTEF period, providing the core backbone of the SKA's scientific capabilities.

An additional allocation of R5 billion has been made for new radio dishes, which will be integrated with existing dishes to form an operational array of 137 dishes over the next five years.

The South African National Space Agency is implementing the first phase of the Space Infrastructure Hub. The project will expand South Africa's capabilities in the space value chain through the development of new earth observation and space weather satellites, alongside increased ground station capability and upgraded data centres. The civil design and engineering work and the definition of technical requirements are at an advanced stage.

The SA Connect Phase 2, supported by a R3 billion allocation, will be completed in 2025/26, prioritising unserved and underserved communities and government facilities. The project will deploy about 1 180 kilometres of fibre infrastructure to expand broadband coverage to about 5.6 million households through community Wi-Fi hotspots. In addition, upgrades to the network led by the State Information Technology Agency will extend connectivity at 6 343 government facilities.

### Human settlements

Over the next three years, the *urban settlements development grant* will invest R9.1 billion in critical bulk infrastructure within metropolitan municipalities for sustainable housing delivery. An amount of R41.4 billion will be allocated through provincial transfers under the grant to support the delivery of 160 572 fully subsidised housing units.

### Health

Investment in the health sector continues to prioritise repairing, refurbishing and upgrading of existing facilities, alongside the construction of new infrastructure to address critical service delivery gaps. Over the medium term, R24.3 billion will be invested in health infrastructure through the *health facility revitalisation grant*.

The 488-bed Limpopo Central Hospital in Polokwane is scheduled for completion in 2028. This tertiary referral hospital will provide specialised medical services for the province.

Progress has also been made on replacing the 224-bed Siloam Hospital in Limpopo, with the first two phases completed. The third phase, which involves constructing the main hospital building, will be completed this year.

Other health infrastructure projects include the construction of the Klipfontein and Belhar hospitals in the Western Cape; the revitalisation of Bambisana and Zithulele regional hospitals in the Eastern Cape; and upgrades to Dihlabeng Regional Hospital in the Free State.

### Education

The *school infrastructure backlogs grant* will be incorporated into the *education infrastructure grant* from 1 April 2026 to enhance efficiency, strengthen provincial oversight and accelerate delivery. The 14-year-old *school infrastructure backlogs grant* has replaced 340 inappropriate structures and provided water to 1 272 schools, safe and appropriate sanitation to 2 811 schools, electricity to

373 schools and 67 additional classrooms to address overcrowding at a total cost of R23 billion. Over the medium term, the *education infrastructure grant* is allocated R50.4 billion.

In the post-school education and training sector, R2.1 billion is allocated over the medium term to upgrade technical training workshops and maintain and modernise equipment across all 50 technical and vocational education and training colleges.

Over the same period, R3.9 billion is set aside for university infrastructure projects, including the delivery of 6 004 additional student beds, construction of new medical school facilities, and the refurbishment and maintenance of lecture halls and workshops.

## **PUBLIC-SECTOR INFRASTRUCTURE REFORMS**

The National Treasury is implementing reforms to strengthen public investment management and unlock private-sector participation.

### **Review of infrastructure delivery ecosystem and crowding in private-sector investment**

A review by the National Treasury found that fragmentation of institutions, resources and technical capacity contributed to inefficiencies across the project life cycle, resulting in higher costs, duplication of effort and extended gestation periods for major capital projects.

The review proposed establishing a centralised gateway for large infrastructure projects to ensure coherent oversight and reduce delays. It also recommended rationalising the proliferation of guidelines, investing in training for officials and developing a centrally published dashboard of bankable projects to support improved transparency and coordination with financiers.

A core conclusion was that project preparation, appraisal and selection should be located in a single institutional home, supported by appropriate ethical rules to manage potential conflicts of interest.

In line with these recommendations, the National Treasury has established the Infrastructure Finance and Implementation Support Agency (IFISA). The agency combines the Public-Private Partnerships (PPP) and the Capital Projects Appraisal units of the Government Technical Advisory Centre, the *Neighbourhood Development Partnership Programme* of the National Treasury and the Infrastructure Fund. IFISA is mandated to mobilise private finance and expertise to reduce reliance on the fiscus and improve risk allocation in infrastructure delivery.

The agency will provide effective procurement support, project management, and information and data management to improve spending and delivery outcomes. It will be housed at the Development Bank of Southern Africa and will start operating on 1 April 2026.

### **Improving transparency in infrastructure delivery and reporting**

The infrastructure reporting model aims to enhance transparency and uniformity by providing project details so that infrastructure budgets can be analysed and spending reviewed across all spheres of government. The Department of Higher Education and Training has successfully

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implemented the model across all 66 public higher education institutions, ensuring consistent, standardised and transparent reporting of infrastructure performance across the sector.

The National Treasury will help to extend implementation of the model to 10 more national departments over the medium term. The infrastructure reporting model is also being piloted in local government, with six municipalities identified to test the local government prototype.

### **Reforming government borrowing for infrastructure**

Government has taken a significant step to create a market for infrastructure financing as a standalone asset class, broadening the pool of investors and deepening domestic capital markets. The inaugural issuance of a sovereign infrastructure and development finance bond, in December 2025, raised R11.8 billion, amid strong investor appetite.

This initiative complements existing measures to raise infrastructure finance on a project-by-project basis, including through bilateral loans and concessional funding.

### **Budget Facility for Infrastructure**

The BFI was reconfigured in 2025 to run quarterly windows rather than the previous annual cycles. All BFI-approved projects are subject to strict conditions to ensure effective and efficient delivery. These conditions reinforce sound project management practices, robust governance arrangements and disciplined financial management, safeguarding value for money and strengthening the credibility of the project portfolio.

In the first three submission windows of 2025/26, 42 projects with a combined capital cost of R438.8 billion were received. Of these, 10 projects were accepted into the pipeline, while the remainder were either referred to preparation facilities for further development or returned to sponsors for reconsideration.

Table D.3 lists projects approved for funding in the current financial year to date. Evaluation of submissions in quarters three and four is still under way.

**Table D.3 2025 BFI approved**

| Institution                               | Project   | Approved funding (R million) | 2025/26 (R million) | 2026/27 (R million) | 2027/28 (R million) | 2028/29 (R million) | MTEF (R million) |
|---|---|------------------------------|---------------------|---------------------|---------------------|---------------------|------------------|
| South African Radio Astronomy Observatory | Square Kilometre Array Project (Mid AA)               | 4 977                        | –                   | 1 000               | 1 000               | 1 000               | 3 000            |
| City of Polokwane                         | Polokwane Regional Wastewater Treatment Works Project | 2 119                        | –                   | 688                 | 870                 | 561                 | 2 119            |
| Transnet                                  | North Corridor Reinstatement Project                  | 6 769                        | 4 937               | 1 832               | –                   | –                   | 1 832            |
| Transnet                                  | Iron Ore Corridor                                     | 3 396                        | 3 396               | –                   | –                   | –                   | –                |
| Transnet                                  | Durban Container Terminal                             | 4 593                        | 1 020               | –                   | –                   | –                   | –                |
| <b>Total</b>                              |   | <b>21 854</b>                | <b>9 353</b>        | <b>3 520</b>        | <b>1 870</b>        | <b>1 561</b>        | <b>6 951</b>     |

Source: National Treasury

A circular for 2026/27 has been published with the submission timelines for the fiscal year.

## Infrastructure Fund

Since it was established in 2019, the Infrastructure Fund has supported the packaging and financial structuring of 26 blended finance projects with a combined capital value of R130.8 billion. Table D.4 highlights some of the key projects and programmes. The Infrastructure Fund has secured R51.3 billion from the BFI to support these projects and will crowd in R67.3 billion in private capital as projects progress towards financial close. The Infrastructure Fund will be consolidated into IFISA.

**Table D.4 Blended finance projects**

| Sector               | Project  | Quantity <sup>1</sup> | Capital costs (R million) | Approved BFI (R million) | Expected private-sector funding (R million) | Other grants/equity (R million) | Progress to date |
|----------------------|--|-----------------------|---------------------------|--------------------------|---|---------------------------------|------------------|
| Human settlements    | Goodwood Station Social Housing Project                    | 1 055 units           | 457                       | 152                      | –   | 305                             | Operations       |
| Human settlements    | Midrand Heights Social Housing Project                     | 305 units             | 191                       | 65                       | –   | 126                             | Construction     |
| Human settlements    | Lufhereng Mixed Use Development Project                    | 32 000 units          | 7 700                     | 3 400                    | 2 150                                       | 2 150                           | Construction     |
| Water and sanitation | Phase 1: Olifantspoort and Ebenezer Water Supply Programme | 20 075 ML             | 4 600                     | 1 400                    | 2 000                                       | 1 200                           | Construction     |
| Water and sanitation | Phase 1: uMkhomazi Water Augmentation Project              | 300 000 ML            | 24 000                    | 12 000                   | 12 000                                      | –                               | Financing        |
| Water and sanitation | Moretele North Klipvoor Bulk Water Supply Scheme           | 15 330 ML             | 5 200                     | 1 900                    | 2 600                                       | 700                             | Construction     |
| Water and sanitation | Pilanesberg Bulk Water Supply Scheme                       | 45 990 ML             | 2 900                     | 1 800                    | 1 100                                       | –                               | Construction     |
| Water and sanitation | Olifants Management Model Programme Phase 2B and 2B+       | 95 995 ML             | 8 530                     | 2 400                    | 5 659                                       | 471                             | Construction     |
| Water and sanitation | eThekweni Non-Revenue Water                                | 22 266 ML             | 1 100                     | 370                      | 169   | 561                             | Procurement      |

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**Table D.4 Blended finance projects (continued)**

| Sector               | Project  | Quantity <sup>1</sup>   | Capital costs (R million) | Approved BFI (R million) | Expected private-sector funding (R million) | Other grants/equity (R million) | Progress to date  |
|----------------------|--|-------------------------|---------------------------|--------------------------|---|---------------------------------|---|
| Water and sanitation | Olifants Management Model Programme Phase 2D and 2F <sup>2</sup> | 95 995 ML               | 7 000                     | 3 200                    | 3 500                                       | 300                             | Financing   |
| Water and sanitation | Polokwane Regional Wastewater Treatment Programme: Phase 2       | 20 ML                   | 3 000                     | 2 118                    | –   | 882                             | Procurement   |
| Transportation       | Ports of Entry   | 6 land ports            | 12 500                    | –                        | 12 500                                      | –                               | Procurement: Negotiations with preferred bidder           |
| Transportation       | Cape Town Container Terminal                                     | 1 400 000 TEU           | 3 300                     | 1 379                    | –   | 1 921                           | Financing   |
| Transportation       | Coal Export Line Infrastructure Restoration Programme            | 20 Mtpa                 | 14 688                    | 6 769                    | 7 919                                       | –                               | Financing   |
| Transportation       | Ore Corridor Infrastructure Restoration Programme                | 9 Mtpa                  | 7 853                     | 3 393                    | 4 460                                       | –                               | Financing   |
| Transportation       | Durban Container Terminal Pier 2: Berth 203 to 205               | 1 Mtpa                  | 10 227                    | 4 593                    | 5 634                                       | –                               | Financing   |
| Energy               | City of Johannesburg Alternative Waste Technology Treatment      | 500 000 TPA solid waste | 5 740                     | 1 600                    | 3 040                                       | 1 100                           | Procurement: Preparing to issue procurement documentation |
| Health               | Tygerberg Central Hospital                                       | 893 beds                | 10 370                    | 2 300                    | 7 500                                       | 570                             | Procurement: Preparing procurement documentation          |

1. The quantity for human settlements is units, the quantity for health is beds, the quantity for water and sanitation is megalitres per annum (ML), the quantity for energy is tons per annum (TPA) and the quantity for transportation is million tons per annum (Mtpa) and twenty-foot equivalent units (TEU)

2. Phase 2D and 2F are designed to take the full capacity of water as was catered for in the existing Phase 2C pipeline. They will not be counted as part of the total to avoid double counting

Source: Infrastructure Fund

## PUBLIC-PRIVATE PARTNERSHIPS

### Implementing recommendations from the PPP review

The National Treasury is continuing to implement the recommendations from the 2019 comprehensive review of the PPP regulatory framework. The amended National Treasury Regulation 16 came into effect on 1 June 2025, introducing reforms aimed at simplifying procedural requirements, addressing regulatory gaps and clarifying institutional roles.

Complementing the amended regulations, the new fiscal commitments and contingent liabilities (FCCL) guideline and unsolicited bid proposal (USP) guideline took effect on 31 October 2025. These guidelines provide the operational framework necessary to give effect to the updated regulatory provisions.

The FCCL guideline introduces a more rigorous and standardised approach to assessing fiscal risks; ensuring consistent, transparent reporting across institutions; and enhancing governance mechanisms for monitoring FCCLs throughout the project life cycle.

The USP guideline provides clarity on:

- The categories of PPP projects eligible for unsolicited proposal consideration.
- The required format, documentation and standard for submissions.

- The procedures for assessing, managing and approving USPs in alignment with competitive market principles.

These measures are designed to promote the development of a robust pipeline of PPP projects by enabling earlier identification, prioritisation and preparation of opportunities. They also aim to strengthen institutional capacity by drawing on private-sector expertise and technical capabilities, addressing skills gaps and improving government's ability to deliver complex infrastructure projects.

To support implementation of the regulatory amendments, the National Treasury is updating the PPP manual to incorporate new requirements and reflect the modules identified for revision in the PPP review.

In addition, sector-specific PPP toolkits are being developed in key priority sectors, including water and sanitation, human settlements and transport. This work will be completed later in the year.

Amendments to Municipal PPP Regulation 309 remain under way. Due to the additional procedural requirements, including the requirement to solicit concurrence from the Department of Cooperative Governance and Traditional Affairs and the mandatory parliamentary consultations, the new regulations will be finalised by 30 June 2026. Table D.5 highlights some public comments received in response to the published amendments.

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**Table D.5 Summary of municipal PPP regulatory amendments and stakeholder feedback**

| Municipal amendment   | Purpose   | Public comment  |
|---|---|---|
| Regulation 1: Definitions<br>"Preferred bidder"   | The purpose of inserting a new definition of 'preferred bidder' into the regulation is to provide a clear descriptor in the context of the procurement process as well as expanding the definition to include bidding consortium  | The comment supports the inclusion of 'bidding consortium' in the definition but notes that it does not regulate control or changes in the consortium's composition   |
| Regulation 1: Definitions<br>"PPP Advisory Unit"  | The purpose of inserting a new definition of 'PPP Advisory Unit' into the regulations is to provide a clear descriptor of the functions and powers, which is primarily to advise and support institutions in the procurement, implementation and management of PPPs   | The definition of PPP Advisory Unit needs to be revised for the municipal PPP context to avoid confusion  |
| Regulation 1: Definitions<br>"Total project cost"   | The aim of the definition of 'total project cost' in the regulations is to provide a clear and standardised understanding of the term within the context of PPPs<br>This amendment aims to enhance clarity and consistency in the interpretation of 'total project cost' in the context of determining the threshold for low-value projects   | One comment proposed increasing the threshold for low-value projects. Another recommended expanding the definition to include life-cycle costs  |
| Regulation 3(1)<br>Additional matters to be regulated in feasibility study                                      | The purpose of the additions to the regulation is to provide for additional assessments that are currently contained in section 78(3) of the Municipal Systems Act (MSA)<br>This amendment aims to enhance the required assessment pertaining to PPPs as a mechanism to provide a municipal service   | The comment highlights the overlap between the provisions in the MSA and MFMA   |
| Regulation 4(3)(2)<br>Procurement of public-private partnership agreements                                      | The purpose of amending the regulation is to eliminate the requirement for compliance with section 33(1)(a) of the Municipal Finance Management Act (MFMA) in the context of awarding PPP agreements<br><br>This regulatory amendment is necessary following the proposed amendments to the MFMA to exclude the PPPs from section 33 of the MFMA  | The comment notes that the regulation introduces a provision that exempts PPPs from the consultative requirements set out in section 33 of the MFMA   |
| Regulation 4: Insertion of sub-paragraphs (5), (6) and (7) Procurement of public-private partnership agreements | The purpose of the insertions to the regulation is to add a framework that drives municipalities to continue with PPP procurement once commenced, and to dissuade abandonment of a procurement process when the relevant indicators for the project remain in place<br>This insertion aims to provide clear guidelines for the initiation and continuation of municipal PPP projects based on specific indicators, ensuring responsible management of public funds and resources and commitment to closing out procurement process relating to PPPs | The comments related to further recourse of projects that are abandoned, with no specific proposition of the recourse. The need to harmonise the draft regulation with Public Procurement Act has been proposed<br>The comment highlights the need for defined procurement timelines to ensure that projects progress as intended |
| Regulation 4: Insertion of sub-paragraph (8) Procurement of public-private partnership agreements               | The purpose of the insertion is to establish a mechanism for exempting projects falling below a certain money quantum threshold<br><br>This regulatory addition aims to simplify and expedite the approval process for smaller projects   | Support the provision   |

Source: National Treasury

**PPP PROJECTS GOING TO THE MARKET**

There are 63 PPP projects at different stages of development: 17 projects are in the inception phase, 32 are in the feasibility study phase and 14 are in the procurement stage. PPPs offer a viable alternative for public entities to undertake projects even in a fiscally constrained environment.

Details of some of the advanced projects include:

### **Redevelopment of Ports of Entry Project**

The R12.5 billion project aims to ease congestion, enhance regional trade and upgrade infrastructure at six inland borders that South Africa shares with its neighbouring countries. The Department of Home Affairs will enter into PPP agreements with private parties to design, build, operate and finance the redevelopment of the identified ports of entry.

The department, with the support of the Border Management Authority and others, has completed the evaluation of proposals received. Following the approval of the bid evaluation report in the second quarter of 2025/26, final negotiations with the selected preferred bidder(s) are under way. On successful conclusion of the negotiations process, an application to the National Treasury for approval of the final agreement is expected in the next financial year.

### **Gautrain Rapid Rail Link System**

The Gautrain Rapid Rail Link System is an 80-kilometre rapid rail system in Gauteng, connecting the cities of Johannesburg, Tshwane and Ekurhuleni. The current concession agreement expires in March 2026. The provincial government is procuring a new concessionaire to ensure uninterrupted service while enhancing the quality, affordability, accessibility and sustainability of the system. The project completed the bid evaluation stage in the third quarter of 2025/26 and the National Treasury granted approval on 10 November 2025 for the Gautrain Management Agency to begin negotiations with the preferred bidder. Once the negotiations are concluded, an application for the final agreement will be submitted to the National Treasury for approval. This is expected to be completed in the first half of 2026. In the interim, negotiations are under way with the current operator to continue operations until a new concessionaire is secured.

### **City of Johannesburg Alternative Waste Treatment Technology Project**

The Alternative Waste Treatment Technology project entails designing, building, financing, maintaining and operating a recycling plant and the waste-to-energy facility located at the Robinson Deep landfill site through a proposed PPP arrangement with a potential private company.

The project has progressed beyond the procurement documentation stage, and the city will issue the procurement documents to the market in this financial year.

## **CONTINGENT LIABILITIES**

When government guarantees a transaction or a loan, it effectively undertakes that it will provide financial support to the parties or the lenders in the event that the parties or the borrowers default on their obligations or fail to honour their contracts. Contingent liabilities quantify the risk that government faces if those risks materialise. All national and provincial PPP agreements are guaranteed by the Minister of Finance, which creates contingent liabilities for the national fiscus. These need to be managed, monitored and reported on to ensure fiscal stability and transparency.

The National Treasury approves all contingent liabilities associated with national or provincial PPP projects at the final agreement stage before government signs a PPP contract. This is the final check to validate that the transaction provides good value for money, is affordable and appropriately allocates risks.

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Contingent liabilities can fall into several categories depending on the cause of contract termination, whether due to private-sector default, government default or force majeure. Compensation levels vary by category, but termination arising from government default generally results in the highest exposure. Table D.6 outlines the potential termination amounts for national and provincial departments and public entities, with total contingent liabilities amounting to R7.6 billion in 2025/26.

**Table D.6 Contingent liabilities by category<sup>1</sup>**

| R million                        | Termination for private party |                | Termination for force majeure |                | Termination for government default |                |
|----------------------------------|-------------------------------|----------------|-------------------------------|----------------|------------------------------------|----------------|
|                                  | 2024/25                       | 2025/26        | 2024/25                       | 2025/26        | 2024/25 <sup>2</sup>               | 2025/26        |
| National departments' exposure   | 1 719.5                       | 1 275.9        | 2 858.1                       | 2 507.4        | 3 386.9                            | 2 891.5        |
| Provincial departments' exposure | 157.2                         | 80.5           | 90.3                          | 81.7           | 1 237.9                            | 234.6          |
| Public entities' exposure        | 184.5                         | 156.8          | 156.4                         | 133.0          | 231.7                              | 197.0          |
| <b>Total</b>                     | <b>2 061.2</b>                | <b>1 513.2</b> | <b>3 104.8</b>                | <b>2 722.1</b> | <b>4 856.5</b>                     | <b>3 323.1</b> |

1. Municipal liabilities are excluded because the MFMA requires that these be reported at the municipal level rather than through national or provincial accounts

2. The 2024/25 termination for government default has been recalculated using revised project information and is therefore not comparable with the previous publication

Source: National Treasury

Estimated contingent liabilities payable in the event of government default have reduced from R4.9 billion in 2024/25 to R3.3 billion in 2025/26. The reduction was anticipated as government continues to settle outstanding debt and equity obligations owed to the private sector in line with contractual requirements and the natural expiry of PPP project terms. Two projects, namely the current Gautrain Rapid Rail Link PPP project and the Humansdorp District Hospital Co-location PPP project, have reached the end of their contractual periods, resulting in the full settlement of their debt obligations and a consequent reduction in government exposure. This has contributed to the substantial decrease in government default-related termination risks.

National departments constitute the largest share of exposure, amounting to R2.9 billion in 2025/26, with head office accommodation projects being the primary drivers of contingent liabilities. Government mitigates risks associated with PPP contingent liabilities through ongoing monitoring of contractual performance by all parties and the enforcement of applicable regulatory provisions.

As private-sector participation in infrastructure delivery expands, a strengthened fiscal risk framework is critical to safeguarding the sustainability of public finances. Accordingly, all institutions are now mandated to comply with enhanced FCCL reporting obligations to ensure accurate disclosure of fiscal exposures and support evidence-based decision-making.

To further reinforce these requirements, the National Treasury has developed a long-term fiscal planning tool to assist institutions in evaluating and reporting their long-term financial commitments and contingent liabilities. Training on the use of this tool will be rolled out during 2026/27 to ensure consistent and effective adoption across the public sector.

## MAJOR CAPITAL PROJECTS

Tables D.7 and D.8 summarise major public infrastructure projects, some of which are PPPs and others which are blended finance and social in nature.

**Table D.7 Project pipeline**

| Project name                                    | Sector                  | Project description   | Estimate of potential total investment (R million) | Stages of development                                     |
|---|-------------------------|---|--|---|
| Lanseria Wastewater Treatment Works PPP Project | Water and sanitation    | The project entails the planning, design and implementation of the Lanseria wastewater treatment works and associated bulk outfall sewer. The objective is to construct and commission a 50 MI/day (MI/d) module as part of a programme to deliver 150 MI/d       | 3 454  | Feasibility study for the PPP under way                   |
| Beitbridge - Musina Water Transfer Scheme       | Water and sanitation    | The project entails the construction of a pipeline of about 20km crossing the Limpopo River from Beitbridge to Musina with bidirectional capacity to transfer 41 MI/d of treated water from Beitbridge water treatment works to the terminal reservoirs in Musina | 2 000  | Feasibility study under way                               |
| Ngqura Manganese Export Terminal Project        | Transport and logistics | The project entails the development of a 16 million ton per annum (mtpa) manganese export facility at the port of Ngqura to complement 6mtpa from the port of Saldanha to cater for projected demand of 22mtpa  | 10 000   | Feasibility study completed; preparing for BFI submission |
| Macassar Wastewater Treatment Works             | Water and sanitation    | The project seeks to increase the wastewater treatment capacity within the Macassar sewerage catchment to meet both current and future demand through the refurbishment and extension of the wastewater treatment works   | 4 000  | Feasibility study completed; preparing for BFI submission |

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**Table D.7 Project pipeline (continued)**

| Project name                                       | Sector                                   | Project description  | Estimate of potential total investment (R million) | Stages of development   |
|--|--|--|--|---|
| Port of Ngqura Liquid Bulk A100                    | Transport and logistics                  | The project entails the construction of new liquid bulk berth and basin capital dredging infrastructure required to catalyse private sector to invest in new bulk storage capacity and associated infrastructure   | 3 039  | Feasibility study completed; preparing for BFI submission   |
| SAEx East Subsea Fibre-Optic Cable Phase 1 Project | Information and communication technology | SAEx East is a 11 700 km subsea cable between Cape Town and Singapore  | 12 465   | Feasibility study under way   |
| Container Corridor Project                         | Transport and logistics                  | Rail modernisation and restorative project to uplift slot capacity and volumes on the Container Corridor (rail track, formation and signal upgrades) for the short-term positioning of the corridor for private-sector participation (PSP) under rail reform | 4 700  | Feasibility and associated studies being finalised  |
| Central Corridor Project                           | Transport and logistics                  | Rail modernisation and restorative project to uplift slot capacity and volumes on the Central Corridor (rail track, formation, and signal upgrades) for the short-term positioning of the corridor for PSP under rail reform                                 | 4 300  | Feasibility and associated studies being finalised  |
| Cape Corridor Project                              | Transport and logistics                  | Rail modernisation and restorative project to uplift slot capacity and volumes on the Cape Corridor (rail track, formation and signal upgrades) for the short-term positioning of the corridor for PSP under rail reform                                     | 4 200  | Feasibility and associated studies being finalised  |
| Liquefied Natural Gas (LNG) Richards Bay           | Transport and logistics                  | Development of an LNG import terminal at the Port of Richards Bay in KwaZulu-Natal. The project aims to strengthen energy security, support gas-to-power developments, and diversify the country's energy mix  | 2 200  | Feasibility and associated studies being finalised  |
| Northeast Corridor Project                         | Transport and logistics                  | Rail modernisation and restorative project to uplift slot capacity and volumes on the Northeast Corridor (rail track, formation and signal upgrades) for the short-term positioning of the corridor for PSP under rail reform                                | 2 500  | Feasibility and associated studies being finalised  |
| Chris Hani Baragwanath Academic Hospital           | Health                                   | Construction of a central hospital facility in Soweto  | 10 000   | Feasibility study for a PPP under way   |
| George Mkhari Academic Hospital                    | Health                                   | Construction of a central hospital facility in Ga-Rankuwa  | 10 000   | Inception stage of the PPP process - procuring Transaction Advisory Team to conduct a feasibility study |
| Joburg Fresh Produce Market                        | Agriculture                              | The project entails the refurbishment and modernisation of the fresh produce market to a "smart facility" that fulfils current and future needs, and ensures sustainability  | 2 820  | Feasibility study under way   |
| <b>Total</b>                                       |  |  | <b>75 678</b>                                      |   |

Source: Infrastructure Fund

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**Table D.8 Other major public-sector infrastructure projects**

| Project name  | Project stage  | Project description   | Estimated project cost |
|---|----------------|---|------------------------|
| Salvokop Precinct PPP Project                                       | Various        | A mixed-use development that includes the construction of offices for four national government departments in Pretoria's inner city   | R18.1 billion          |
| Siloam District Hospital Project                                    | Implementation | The rebuilding of a new 224-bed hospital, repurposing and refurbishing a psychiatric ward and mortuary  | R1.9 billion           |
| SA Connect Phase 2  | Implementation | The programme will deploy approximately 1 180 kilometres of new fibre, enabling broadband coverage for about 5.5 million households through Wi-Fi hotspots and supporting infrastructure  | R3 billion             |
| Northern and KwaMashu WWTW and Reuse PPP                            | Feasibility    | eThekweni municipality intends to partner with the private sector to design, construct, finance, operate and maintain a new water reuse plant. The private sector will provide the service and raise the finance to fund the capital expenditure through a 25-year concession agreement                             | R3.5 billion           |
| City of Cape Town Water Desalination                                | Feasibility    | The development of a permanent sea water desalination plant yielding a minimum of 50 Ml/day of desalinated water (from sea water to potable water)  | R2.5 billion           |
| Limpopo Central Hospital Project                                    | Implementation | Construction of a new 488-bed central hospital in Polokwane, which will form part of an academic health complex attached to the University of Limpopo's medical school  | R4.5 billion           |
| Post-2026 Gautrain Rapid Rail Link System Project                   | Procurement    | Procurement of a new concessionaire to operate the already established and functional Gautrain system   | R18.4 billion          |
| Midvaal Electricity Distribution Project                            | Procurement    | Refurbishment and expansion of the existing distribution lines owned by the municipality  | R1 billion             |
| Square Kilometre Array (SKA) MID AA                                 | Implementation | The project entails the construction of 60 new dishes, which will be combined with the 13 dishes that have already been built, bringing the total to 73 new dishes. These will be integrated with the existing 64 MeerKAT dishes, forming an initial array of 137 dishes, which will make up a functional telescope | R13.3 billion          |
| Sol Plaatje Municipality Integrated Bulk Supply System Intervention | Implementation | The programme is about urgent refurbishment and renewal of old water supply infrastructure. The programme is planned to be implemented in phases, with activities identified over the short, medium and long term   | R3.1 billion           |
| Belhar Regional Hospital  | Concept design | Construction of a 550-bed regional hospital in the City of Cape Town  | R4.6 billion           |
| Klipfontein Hospital  | Concept design | Construction of a new hospital to replace the GF Jooste Hospital  | R4.3 billion           |
| Berg River-Voëlvele Dam Pipeline                                    | Construction   | Construction of a weir and abstraction works with a pump station on the Berg River, with a 6.3-km- long pipeline to the Voëlvele Dam  | R1.1 billion           |
| Lower uMkhomazi Bulk Water Supply Scheme                            | Construction   | Construction of an off-channel storage dam at Ngwadini, two weirs within the uMkhomazi River, raw water transfer to a 100 Ml/d water treatment plant at Craigieburn and potable water infrastructure to supply the South Coast Quarry Reservoir   | R6.2 billion           |

Source: National Treasury

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