BUDGET JUSTICE COALITION SUBMISSION TO THE SUBMISSION TO SELECT COMMITTEE ON APPROPRIATIONS ON THE DIVISION OF REVENUE BILL 2025 [B4—2025]

14 April 2025

About the BJC

This submission has been developed collaboratively by members of the Budget Justice Coalition (BJC). The purpose of the BJC is to collaboratively build people's understanding of and participation in South Africa's planning and budgeting processes – placing power in the hands of the people to ensure that the state advances social, economic and environmental justice, to meet people's needs and wellbeing per the Constitution.

The organisations that make up the BJC are: The Alternative Information and Development Centre (AIDC), the Children's Institute at UCT (CI), Corruption Watch (CW), Equal Education
(EE), Equal Education Law Centre (EELC), HEALA, Legal Resources Centre (LRC), the Institute for Economic Justice (IEJ), Oxfam SA, Pietermaritzburg Economic Justice and Dignity Group (PMBEJD), the Public Service Accountability Monitor (PSAM), the Rural Health Advocacy Project (RHAP), SECTION27, Ilifa Labantwana, Treatment Action Campaign (TAC), Centre for Child Law, 350.org, Open Secrets, Social Policy Institute, Public Affairs Research Institute (PARI), Youth Capital, Amandla.mobi, Black Sash, My Vote Counts (MVC) as well as friends of the coalition. Some contributions from the steering committee of the Climate Justice Coalition are included in this submission.

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Introduction

The Budget Justice Coalition (BJC) appreciates the opportunity to contribute to the discourse surrounding the 2025 Division of Revenue Bill. Our submission is informed by a range of civil society organisations that are members of the Coalition. We remain committed to engaging in a meaningful discussion that can positively influence the equitable distribution of financial resources.

The Budget Justice Coalition (BJC) has conducted a detailed analysis of the revised 2025/26 budget and recognises it as a crucial opportunity to break from years of harmful austerity and a move towards a more inclusive economy. While the proposed expenditure increases mark a step in the right direction, the regressive revenue measures in the budget risk deepening inequality and worsening financial hardship for millions of South Africans. Furthermore, public sector investment must form part of a sustained commitment to rebuilding and adequately funding essential public services. Importantly, real increases in expenditure are inadequate if they do not align with policy priorities and constitutional obligations. A well-resourced public sector is fundamental to economic growth and social equity.

Direct national transfers to provinces are projected to grow from R730.7 billion in 2024/25 at an average annual rate of 4.5 per cent to reach R833.8 billion in 2027/28. The transfers include R633.2 billion for the provincial equitable share and R134.6 billion for conditional grants in 2025/26. Within conditional grants, R94 million is reprioritised over the MTEF period from the provincial roads maintenance grant to fund other transport priorities. To help implement the 2025 public-service wage agreement, provinces are allocated an additional R4.8 billion in 2025/26, R5.2 billion in 2026/27 and R5.4 billion in 2027/28.

Overall, while increases are welcome, they are likely insufficient to reverse the damage from years of austerity. Furthermore, poor spending performance undermines the impact of allocations to social and economic priorities. Much more needs to be done to improve planning, monitoring and oversight of funds transferred to national, provincial departments and municipalities. Departments and entities who continuously fail to deliver, and refuse or fail to implement improvement plans and turnaround strategies must be held to account.

Our submission aims to highlight persistent challenges in the sectors that our member organisations are actively tracking along with inputs from community engagements held in Protea South and Limpopo; assess the extent to which the 2025 DoRB responds to these challenges, and propose constructive recommendations to improve outcomes.

Community Voices from Limpopo: Budget Reflections and Demands

As part of our 2025 community outreach programme, we engaged with residents from Makanye, Maroteng, and Komape in Limpopo to gather public input on the national budget. A total of 68 participants shared their reflections and concerns. **Alarmingly, none of the communities were aware of Parliament's public hearing held in Limpopo on 1 April 2025.** This underscores the continued failure of state institutions to enable meaningful public participation in fiscal processes, especially in rural provinces.

The following issues were consistently raised across all three communities:

1. VAT Increase

The proposed VAT hike was met with widespread frustration. Community members described the increase as government "giving with one hand and taking with the other," emphasising that it makes food and essential goods unaffordable. Many called for the immediate scrapping of the VAT increase, noting its disproportionate impact on poor households.

2. Education

Participants called for increased investment in public schools, highlighting infrastructure backlogs, unsafe conditions, and a shortage of teachers. It was reported that children are being asked to clean school premises due to a lack of support staff. There were also repeated calls for improved access to NSFAS funding and transparency in the application process, with many learners reportedly excluded from support.

3. Health

Communities raised serious concerns about healthcare access. In one case, it was

reported that 192 villages were served by only one clinic, one police station, and one court. Clinics are often overcrowded, understaffed, and close too early to meet community needs. There were strong calls for clinics that operate 24 hours a day and for the hiring of more healthcare personnel.

4. Unemployment

Unemployment - particularly youth unemployment - was a key issue. Participants expressed frustration that young people, including those with qualifications, are sitting at home without work. They called for the creation of decent, long-term jobs across sectors.

5. Basic Income Grant (BIG)

Views on the Basic Income Grant were mixed. Some welcomed the grant and proposed an increase to R1,000 per month to better match the cost of living. Others expressed concerns about how the SRD grant is administered, noting that it restricts recipients from receiving other financial support. The current grant value of R370 is viewed as insufficient for job-seeking costs like CV printing and transport.

6. Land and Agriculture

Participants involved in agriculture - especially women - called for increased funding for small-scale farming and better access to land and water. They raised concerns about corruption in land allocation processes and the sale of land by officials. There were strong calls for support to women farmers and the development of sustainable livelihoods.

7. Water and Sanitation

Communities reported significant service delivery failures in water and sanitation infrastructure. Participants demanded increased budget allocations for water access, proper sanitation, and overall service delivery improvements in rural areas.

The BJC presents these community reflections without modification, as a direct expression of the lived experiences and demands of marginalised people. We call on this Committee to treat this feedback with the seriousness it deserves and to take urgent action to ensure that public budgeting reflects the priorities and rights of all South Africans.

In our submission we have tried to assess the extent to which these concerns are addressed in the 2025 Division of Revenue Bill. As part of our commitments to the

communities we have engaged this far, and as we expand our engagements to communities in other provinces, the BJC will be taking a closer look at spending performance and oversight to identify and diagnose persistent challenges affecting the outcome of budget allocations, along with adequate resourcing and support to improve outcomes. Community needs must be considered in budget decisions, allocated funds must be spent responsibly and government departments must be held accountable when they fail to deliver.

Impact of VAT increase

In a country marked by the highest levels of inequality in the world, the Budget Justice Coalition (BJC) notes with disappointment the adoption of the 2025/26 Fiscal Framework by the National Assembly. However, we also note that the proposed VAT increase was explicitly rejected by the majority of political parties in Parliament. We also note that those who supported the fiscal framework despite their opposition to VAT, did so on the basis of the recommendation made by the Standing and Select Committees on Finance, that the Finance Minister, within 30 days, reviews and considers alternatives to this regressive funding measure.

We therefore reiterate our call for the Government of National Unity (GNU) and National Treasury to urgently explore and implement alternative revenue-raising proposals which we have consistently tabled; proposals that are equitable, redistributive, and grounded in the lived realities of South Africans.

While we welcome real-term increases in social spending on health, education and early childhood development reflected in this Bill, these gains are overshadowed by the regressive revenue measures used to finance them. These gains are also insufficient to counteract years of underfunding and the resulting constitutional deficit. VAT is a blunt instrument that disproportionately burdens low-income households, eroding the purchasing power of families already struggling to afford food, healthcare, transport and education. This impact is further intensified for those most vulnerable to extreme weather events, who are often low-income and live in climate-exposed areas such as informal settlements and rural regions. For these communities, a VAT increase reduces their ability to recover from climate shocks and limits access to essential resources needed for adaptation and survival. We are particularly concerned that despite a commitment to gender-responsive budgeting (GRB), such a

regressive tax will be felt most by women-headed households which are most represented in poverty statistics in our country. Women-headed households are not only more financially precarious but also more exposed to climate impacts such as food insecurity, water scarcity, and displacement. Without further intervention, we are concerned that an increase in consumer prices may further reduce women's capacity to build resilience against climate-related risks.

Furthermore, we are deeply concerned that the gains from increased allocations to education and health facilities will be offset by inflationary pressures introduced by the VAT hike, effectively diminishing the real value of these investments and constraining service delivery. This is particularly detrimental for climate-affected communities, where health care and education systems already face strain from environmental disasters. The VAT increase undermines access to these critical services at a time when support is most urgently needed.

Data and assumptions informing budget decisions

We note with concern that data from the 2022/23 Income and Expenditure Survey (IES) did not inform the 2025 budget allocations, as the detailed data has not yet been released. While this is likely to have profound impacts across the entire budget, specific mention is made of the following in the budget documents:

- The revision to the education component of the PES could not be implemented due to the unavailability of IES
- The human settlements development grant formula is based on outdated data from the 2011 Census and 2010 General Household Survey

Accurate and up-to-date socioeconomic data is essential for informed and effective budget policy decisions. It enables the government to identify and respond to the real needs of the population, allocate resources equitably, and track progress toward developmental goals. Without current data on poverty, inequality, unemployment, and service delivery gaps, budget allocations risk being misdirected or inadequate. Reliable data also strengthens transparency, accountability, and public participation in the budgeting process, ensuring that fiscal policies are responsive to changing conditions and promote inclusive, evidence-based planning.

According to its 2023/24 Annual report, Stats SA had a vacancy rate of 19,1% (629 of 3301 posts), attributed to “cost containment measures”. This follows an additional R44 million 2022/23 budget allocation to support compensation of employees. The high vacancy rate across programmes, salary bands and critical occupations poses a significant risk to the ability of Stats SA to produce timely and accurate statistics.

The BJC would like to emphasise the importance of adequate resourcing of Stats SA and will be making submissions on the allocations and trends through the 2025 Appropriation Bill hearings.

Further, the BJC raises concerns about the over-reliance in Budget 2025 on provisional allocations (R204.8 billion over the MTEF) “that will be made available to departments during 2025/26 and over the medium term once certain conditions are set”. This also impacts the quality and credibility of budget data and the ability of departments to plan accordingly.

According to the National Treasury, one of the conditions is that departments will receive their funds “once the extent of their participation in the early retirement programme is clarified”. Excluding such a large share of expenditure from the Appropriation Bill, the Division of Revenue Bill and the Estimates of National Expenditure are deeply concerning. It muddies the ability of Parliament to exercise its law-making abilities to convert the government’s agreement about its spending programme into credible estimates for the year ahead. Provisional allocations are now at the discretion of the Treasury, without public scrutiny, to disperse the funds, as opposed to an open and democratic parliamentary process. Lastly, it calls into question the credibility of this year’s annual spending envelope and the medium-term spending path.

Gender Responsive Budgeting (GRB)

Gender-responsive budgeting (GRB) has the potential to be a transformative tool in addressing structural inequality in South Africa by ensuring that public resources are allocated in ways that actively reduce gender disparities and promote both social and

economic equity. We welcome the 2025 Budget's inclusion of a Gender Budget Statement that acknowledges the economic challenges faced by women and girls, particularly in the context of poverty, unemployment, and social vulnerability. However, real progress requires more than acknowledgement. It demands concrete, targeted investments in sectors that shape gender outcomes, especially education, social development, healthcare, and the care economy. The budget must also address the disproportionate burden of unpaid care work, which overwhelmingly falls on women, whether through caregiving in households, community-based services, early childhood education, or health support roles. Without deliberate interventions to redistribute and recognise this labour, young women and girls - especially those affected by school dropouts, teenage pregnancy and gender-based violence - will remain systematically disadvantaged.

In a country increasingly affected by extreme weather events such as floods and droughts, it is vital that climate financing policy explicitly acknowledges the heightened vulnerability of women and the disproportionate burden they bear in responding to these crises. The Division of Revenue Bill, along with broader budget planning, must take this into account and centre women's experiences in both climate adaptation and resource allocation.

Despite the introduction of GRB as a concept, departmental budgets still lack gender-sensitive planning, performance indicators, or meaningful reporting on outcomes for women and girls. Reviews of the Estimates of National Expenditure (ENE) reveal that departments such as Basic Education, Health, Social Development, Home Affairs, and Justice - despite their gendered service impacts - have not institutionalised GRB into budget frameworks or programme performance plans. The few programmes that explicitly mention gender, such as maternal health or GBV-related services, are not accompanied by disaggregated data or measurable targets.

Similarly, while the expansion of the ECD grant is a welcome development with indirect gender benefits, its budget documentation does not reflect the employment of women in the sector or the impact of ECD access on women's ability to participate in the labour market. The failure to embed GRB systematically risks undermining the progressive intent of expenditure and misses an opportunity to drive gender equity through public investment.

The situation is further worsened by the proposed VAT increase, which disproportionately impacts women in low-income households. Women are more likely to spend a higher proportion of their income on basic goods and services for their families, and increases in VAT reduce both household purchasing power and the real value of government expenditure in social sectors. This compounds the gendered effects of inflation, care burdens, and wage inequality. A genuinely gender-responsive budget must integrate equity considerations from the outset of the planning process and not treat gender as an afterthought or post-hoc labelling exercise. Parliament must ensure that GRB is institutionalised as a standard practice across all departments, backed by departmental capacity-building, gender-disaggregated data collection, and accountability mechanisms. The current pilot must be expanded and operationalised in full within the Departments of Basic Education, Health, Social Development, Home Affairs and Justice, with a clear timeline, oversight framework and regular reporting on gender outcomes. Without these reforms, the budget will continue to entrench gender inequalities instead of redressing them.

Provincial structures, including sector departments, NCOP Committees on Finance and Appropriations and provincial legislations have an important role to play in achieving a truly gender responsive budget. This includes incorporating the needs of women and children, particularly black women in marginalised communities, into budget formulation, identifying gendered impacts of budget decisions

Personnel Funding/ Public Sector Wage Bill

While the 2025/26 budget includes additional funding to support the public service wage agreement, the allocation remains focused primarily on stabilising existing compensation commitments rather than enabling a meaningful expansion of frontline personnel. An additional R15.3 billion has been allocated to support the costs associated with the 2025 public-service wage agreement, with R14.5 billion added to the provincial equitable share and R861 million directed toward conditional grants that fund compensation of employees. Although this may alleviate short-term wage pressure, it does little to address long-standing staff shortages across key service sectors such as health, education, and social development.

In the health sector, the impact of personnel shortfalls is especially severe. The withdrawal of USAID funding has resulted in the loss of 15,000 frontline healthcare workers and 9,000 technical staff, including those linked to critical programmes like the Central Chronic Medicine Dispensing and Distribution (CCMDD). Despite this, no corresponding increase has been allocated to the District Health Programmes Conditional Grant to absorb these staffing losses. As a result, provinces are expected to maintain service levels in HIV, TB, and primary care programmes with significantly reduced workforce capacity. This undermines South Africa's ability to meet its national and global health targets, including the End TB Strategy.

In education, while R1.2 billion has been added to the provincial equitable share to support the continuation of the Presidential Employment Initiative for teacher assistants in 2025/26, the broader staffing demands linked to systemic reforms remain unfunded. The formalisation of compulsory Grade R and the transfer of Early Childhood Development (ECD) to the Department of Basic Education require long-term personnel investment, yet no clear strategy has been presented for absorbing ECD practitioners into the public system or harmonising their salaries. Without this, provinces will be unable to meet their expanded mandates, placing pressure on educators and school communities.

The gendered implications of personnel underfunding must not be overlooked. Women constitute the majority of workers in healthcare, education, and social services. Continued underinvestment in these sectors disproportionately affects their employment opportunities and places additional care burdens on them when public services fail to deliver. Austerity in personnel spending therefore deepens gender inequality in both the labour market and the home.

We urge Parliament to recognise that personnel allocations must go beyond wage stabilisation. Additional resources must be ring-fenced for the recruitment of frontline staff, particularly in health and education. Conditional grants should be expanded to absorb donor withdrawal impacts, and gender-responsive staffing plans must be prioritised to ensure equitable service delivery and employment outcomes across provinces.

The BJC further notes with concern the continued trend of vacant funded posts. According to the DPSA, there were 102 153 vacant funded posts in the public sector

(National and Provincial departments) on 1 January 2025[1]. Many of these vacancies are concentrated in health, education and social spending and other areas critical to implementing priority areas of the 2025 budget. For example DPWI has 13,73%vacancy rate, 23,7% at DWS and 15,53% in the Municipal Infrastructure Support Agency (within National CoGTA).

In some instances, the average length of time that vacancies remain is in excess of 2000 days. The reasons given in the response include:

- Budget constraints and the need to reprioritise funds affect timing of appointments
- Strict administrative processes both internal and external that slow down recruitment
- Time required for thorough pre-employment verification

This raises concerns about the extent to which additional funds allocated to increase headcounts will be put to use timeously to address delivery challenges associated with human resource constraints. Vacant posts undermine the ability of the public service to deliver on its mandate. Furthermore, given the huge burden of unemployment in South Africa, it is unacceptable that that these posts remain vacant, sometimes for extended periods of time while qualified graduates and experienced professionals remain at home, without employment.

Provincial Equitable Share (PES)

The Provincial Equitable Share (PES) - which funds the majority of provincial budgets and their functions, including education and health care - will see an increase of R33-billion from R600-billion to R633-billion from the previous financial year, representing a 5.44% increase in nominal terms and a modest 1.47% increase in real terms when adjusted for CPI inflation at 4.7%. An above-inflation increase to the PES is a welcome shift after years of austerity budgeting. However, persistent shortfalls in other key areas such as school subsidies and Emergency Medical Services threaten to undermine the impact of this increase.

[1] https://pmg.org.za/question_replies/?filter%5Bminister%5D=22

The National Treasury has been reviewing the health and education formulas of the PES for many years now and we critique the lack of public consultation. The reviewed formulas have yet to be fully implemented, posing a serious risk to the equitable implementation of vital social services.

The explanatory memorandum in the Budget Review indicates that review of the education component has been finalised and endorsed by the Department of Basic Education, however, implementation has been deferred to 2026 MTEF period due to the unavailability of updated IES data.

These delays continue to undermine the ability of provinces to deliver critical social services to the public and to improve equitable outcomes across provinces which often face different challenges based on internal and external or historical factors.

Conditional Grants

The overall growth in direct conditional transfers to provinces averages 3.3 per cent (nominal) over the medium term. Direct conditional grant baselines total R134.6 billion in 2025/26, R137.9 billion in 2026/27 and R143.6 billion in 2027/28. Indirect conditional grants amount to R4.9 billion, R3 billion and R2.6 billion respectively for each year of the same period. The declining trend in indirect conditional grants is a concern, as the allocation is almost halved in 2027/28. What impact will this have on provinces already struggling to meet their constitutional obligations to uphold the realisation of rights?

The BJC is encouraged to note that a review of conditional grants was undertaken in 2024. While there are several references to the review in the 2025 budget documents, there does not seem to be any detailed information on the methodology or findings, beyond the amendments that are proposed.

For example, *changes to provincial allocations include the reprioritisation of funds from conditional grants to national government and additional allocations to the provincial equitable share and conditional grants.* How will this impact programmes and projects? Another example is the merger of the social sector EPWP into the

EPWP programme. This particular incentive *rewards provinces for creating jobs in the preceding financial year in the areas of home-based care, early childhood development, adult literacy and numeracy, community safety and security, and sports programmes.* The BJC has been advocating for further recognition of the role of the care economy in enabling women's economic participation and alleviating the burden on poor households. The merger of these grants does not seem justified given the extensive needs of communities, and stated commitment of the government towards Gender Responsive Budgeting.

Education Conditional Grants

The Division of Revenue Bill (DoRB) 2025/26 allocates a significant portion of national transfers to education through conditional grants, which remain a critical mechanism for supporting provincial departments in delivering essential components of the right to basic education. These grants include the Education Infrastructure Grant (EIG), the School Infrastructure Backlog Grant (SIBG), the National School Nutrition Programme (NSNP), the Early Childhood Development (ECD) Grant, and the HIV/AIDS Life Skills Education Grant. In total, these grants account for just under R47 billion in the new financial year. This is an increase from the previous year, but when adjusted for inflation and rising learner enrolment, the real value of these allocations is mixed. In some cases, such as the EIG and the ECD Grant, there are real increases, although these remain insufficient relative to the scale of infrastructure backlogs and the needs of unregistered ECD programmes. In other cases, such as the SIBG and Life Skills Grant, either flatlining or real-term declines in funding risk further undermining service delivery.

While the Bill reflects incremental improvements in some education grants, it fails to signal a decisive shift away from austerity. It does not reverse the long-standing erosion of per-learner spending, which continues to decline when measured against education-specific inflation. The Bill also does not sufficiently address the implementation constraints that lead to chronic underspending, particularly in infrastructure grants where provinces lack capacity and oversight remains weak. The existing structure of conditional grants, while designed to ring-fence funding for key priorities, has not always succeeded in delivering outcomes, in part due to weak intergovernmental coordination and reliance on implementing agents with poor track records.

The Division of Revenue Bill presents Parliament with an opportunity to intervene in these structural issues. Without stronger provisions for equity, accountability and responsiveness to differentiated provincial needs, conditional grants risk becoming a blunt instrument rather than a vehicle for redress. We urge Members of Parliament to not only scrutinise the adequacy of the grant allocations, but also to press for improved planning, timely disbursement, and better expenditure tracking. A conditional grant system that does not translate into tangible improvements in school infrastructure, learner nutrition, foundational learning and safety, is not fulfilling its constitutional purpose.

Early Childhood Development (ECD) Grant

The Early Childhood Development (ECD) Grant sees a welcome nominal increase of 27.8% in the 2025/26 financial year, marking a long-overdue step toward strengthening foundational learning and early development. This allocation, amounting to R9.9 billion, is especially significant in the context of the recent function shift that placed ECD under the Department of Basic Education, as well as the formalisation of compulsory Grade R through the BELA Act. These policy shifts create a clear imperative for increased investment in the early years of learning. However, while the nominal increase is substantial on paper, it merely restores the grant's value to its 2019 level in real terms and remains well below what is required to realise children's rights to early learning and care. The current per-child subsidy still falls far short of the estimated R38 per day needed in 2025 to meet even the most basic ECD service standards. This reflects a structural underinvestment in the sector and places significant pressure on both registered and unregistered ECD providers who are already operating in precarious conditions.

This funding gap is especially concerning given the critical developmental role of quality ECD services in improving long-term education outcomes, reducing inequality, and supporting women's participation in the labour market. The ECD sector is predominantly staffed by women and supports many thousands of female-headed households. Inadequate funding not only affects the quality and reach of services but also undermines employment opportunities and livelihoods in the care economy. Without sufficient public investment, the burden of subsidising ECD shifts to already struggling families, exacerbating intergenerational poverty and inequality. Furthermore, the continued exclusion of many unregistered ECD centres from

receiving any public funding further entrenches inequity, particularly in rural and informal urban settings.

We urge Parliament to ensure that this year's provisional allocation is fully secured and not subject to in-year cuts or rollover conditions. Moreover, government must take clear and urgent steps to progressively increase the subsidy to a level that reflects the real cost of delivering quality ECD services. This should be accompanied by a comprehensive and publicly transparent costing exercise, a roadmap for universal access, and support mechanisms for unregistered centres to become compliant. Protecting the ECD grant from erosion and ensuring that it is equitably and efficiently allocated is essential for giving all children an equal start in life and for meeting South Africa's constitutional and international obligations to promote early childhood development.

Education Infrastructure Grant (EIG)

The Education Infrastructure Grant (EIG) has been allocated R15.3 billion in the 2025/26 financial year, reflecting a 12% nominal and approximately 8% real increase. This above-inflation growth is commendable, particularly after years of fiscal constraint and declining real per-learner investment. It represents a necessary step toward addressing the country's deep and persistent school infrastructure backlogs, especially in rural provinces and historically under-resourced communities. Overcrowded classrooms, unsafe sanitation, ageing infrastructure, and insufficient classroom space continue to undermine teaching and learning, disproportionately affecting children in low-income areas. The increase to the EIG has the potential to improve conditions for learners and educators alike, but its success will depend heavily on whether the allocation is protected, well-managed, and strategically targeted.

However, serious challenges remain. In-year budget reductions and rollovers in previous cycles have consistently undermined infrastructure delivery, contributing to missed targets, unfinished projects, and delayed maintenance. Additionally, the Department of Basic Education has itself highlighted that extreme weather events - such as flooding, heatwaves, and high winds - have significantly damaged school infrastructure in recent years. These climate-related shocks expose the fragility of current infrastructure planning and reveal the urgent need for a more climate-resilient approach to school construction and refurbishment. Many schools lack basic features

that would protect learners from heat, water damage, or storm-related disruptions, which puts both safety and learning continuity at risk.

It is therefore essential that this year's EIG allocation be ring-fenced and shielded from in-year cuts, and that provinces are supported to improve their planning and project implementation capacity. Additionally, Parliament should call for the integration of climate resilience measures into all infrastructure guidelines and tender specifications. This includes improved water drainage systems, heat mitigation design, renewable energy integration, and the use of durable, sustainable materials suited to local environmental conditions. Schools must not only be places of learning but also sites of safety and resilience in the face of a changing climate.

This is an opportunity for the state to not only reduce physical infrastructure backlogs, but to actively transform the school environment into one that supports dignity, health, and climate justice. Parliament must ensure that the EIG is used not simply as a capital injection, but as a tool for equity and resilience in public education.

School Infrastructure Backlog Grant

Despite its critical role in addressing South Africa's most urgent school infrastructure deficits, the School Infrastructure Backlogs Grant (SIBG) has once again suffered a real-term reduction in the 2025/26 budget, amounting to an estimated 5% decrease after adjusting for inflation. This comes amid continued underperformance, with the grant failing to meet even the most basic delivery targets. In the 2024 financial year, only one new school was completed out of a planned thirty, and no schools received the promised water infrastructure upgrades. These outcomes do not reflect a lack of demand - thousands of learners continue to attend schools without safe classrooms, basic sanitation, or adequate water supply - but rather a systemic failure in delivery, particularly in planning, financial management, and implementation.

Budget documents confirm that the School Infrastructure Backlogs Grant (SIBG) will be absorbed into the Education Infrastructure Grant (EIG) during the 2025/26 financial year. While this consolidation may streamline financial reporting, reduce administrative complexity and possibly improve spending, it raises serious concerns about the potential dilution of the SIBG's specific mandate: the eradication of unsafe, inappropriate, and inadequate school infrastructure. The SIBG was initially established as a ring-fenced,

direct national intervention precisely to address long-standing delivery failures and to prevent provinces from being scapegoated for infrastructure backlogs. By assigning greater responsibility to the national Department of Basic Education (DBE), the grant was intended to centralise accountability and improve implementation. However, despite this structure, delivery outcomes under the SIBG remained consistently poor.

The failure of the SIBG to deliver at scale - even under DBE's direct management - points to deeper systemic issues that cannot be resolved by simply transferring responsibility to provinces or folding the grant into a broader mechanism. These issues include weak planning, limited oversight of implementing agents, poor financial management, and inadequate enforcement of contractor performance. If the SIBG is integrated into the EIG, there is a real risk that the distinct and urgent objectives of the backlog grant will be lost, and that DBE will shift blame to provincial departments for continued underperformance.

Parliament must demand full transparency on how this merger will be implemented, and what specific safeguards have been introduced to retain focus, accountability, and urgency around school infrastructure backlogs. **The eradication of unsafe schools must remain a standalone, measurable priority within the EIG, with clearly defined responsibilities, timeframes, and oversight mechanisms.** Without such guarantees, the merger risks becoming a mechanism to obscure failure rather than fix it.

We therefore urge Parliament to initiate an urgent review of the merger process, including the publication of detailed implementation plans, performance benchmarks, and the roles of national and provincial departments in delivery. Parliament should also require regular reporting on project-level outcomes, strengthened oversight of implementing agents, and the active prevention of in-year budget cuts and reallocations that have historically undermined progress. Without clear national leadership and institutional reform, the structural failures that have delayed infrastructure delivery for more than a decade will persist, and the constitutional rights of learners to safety, dignity, and basic education will continue to be violated.

National School Nutrition Programme (NSNP)

The National School Nutrition Programme (NSNP) remains one of the most effective and vital pro-poor interventions in South Africa's education system, providing daily meals to over 9 million learners in no-fee and quintile 1 to 3 schools. The 2025/26 allocation of R10.3 billion reflects a 5.3% nominal increase but only a marginal 0.6%

real increase when adjusted for general inflation. However, this modest growth fails to account for the persistent and disproportionate rise in food prices, which routinely exceed headline inflation and directly affect the cost of delivering adequate meals. The impact of inflation is further compounded by the proposed VAT increase, which is expected to raise the price of basic goods and services, including food, further undermining the programme's reach and nutritional quality. Recent data from the Household Affordability Index show that the cost of feeding a child a basic nutritious diet now stands at R951 per month, underscoring the pressure placed on this programme to meet essential nutritional needs.

While the NSNP is a critical enabler of attendance, concentration and learning outcomes, particularly for children from poor households, its effectiveness is being steadily eroded in real terms. Provincial departments already struggle to maintain portion sizes and nutritional balance within budget constraints, and the failure to align allocations with actual food inflation increases the likelihood of meal dilution, supply chain disruptions and rationing at the school level. Moreover, the NSNP plays an important social protection role by reducing hunger-related barriers to education, improving retention, and contributing to gender equality by easing the burden on female caregivers.

We strongly recommend that the NSNP allocation be indexed to food inflation, rather than the Consumer Price Index (CPI), to ensure that the purchasing power of this essential grant is preserved and that learners continue to receive meals that meet minimum nutritional standards. In addition, Parliament should demand greater transparency in the cost modelling used to determine NSNP allocations and ensure regular reporting on the programme's ability to maintain adequate meal coverage and quality across provinces. Protecting and strengthening the NSNP is not only a matter of education equity but a constitutional imperative to ensure that all children are able to learn in conditions consistent with their dignity and development.

HIV/AIDS (Life Skills) Grant

The HIV/AIDS Life Skills Grant plays a vital role in equipping learners with knowledge and tools to understand their rights, identify abuse, and protect themselves from violence, particularly in a country facing crisis levels of gender-based violence (GBV). We welcome the 0.8% real increase in this grant, but emphasise that this is insufficient given the scale and urgency of the challenges in

schools. Greater investment is needed to train educators, strengthen school responses to abuse, and foster safe, inclusive school environments. Schools are not only sites of learning, but also spaces of protection and psychosocial support. Treasury must recognise the critical role of this grant in ensuring learner safety and wellbeing, and fund it accordingly.

Health Care Conditional Grants

Health conditional grants remain an essential mechanism through which the national government supports provinces in delivering critical public health services. In the 2025/26 Division of Revenue Bill, allocations to major health grants include the Health Facility Revitalisation Grant and the District Health Programmes Grant, which contains the HIV and AIDS services component. While overall health spending receives a nominal increase of 7.8%, only a few grants experience real growth after inflation, and structural underfunding continues to undermine access to quality health care. The Health Facility Revitalisation Grant, which supports the construction, maintenance and refurbishment of health infrastructure, receives a 1.2% nominal increase to R7.2 billion. However, this represents a 2.5% real-term cut when adjusted for inflation and comes after two years of substantial budget reductions. These persistent underinvestments severely constrain the state's ability to address widespread infrastructure backlogs, respond to extreme weather damage, and improve service quality in poorly resourced areas. Inadequate facilities, dilapidated buildings, and unsafe clinic conditions remain commonplace, especially in rural provinces. Treasury has previously justified these cuts by citing historical underspending, but SECTION27 and others have strongly cautioned against using this as a rationale for further reductions. Underspending is often a symptom of weak provincial capacity, not a reflection of lack of need, and should be addressed through improved planning and procurement support rather than through reduced allocations.

The District Health Programmes Grant sees a 1.4% nominal increase for its HIV and AIDS component, reaching R28.3 billion. Yet, once inflation is considered, this is a real decrease of 2.5% in a year that was meant to be pivotal in reaching the 95-95-95 HIV treatment targets. With the termination of substantial donor funding, including from USAID, this budget shortfall could severely compromise access to antiretroviral

treatment and prevention services. There is no indication that the existing allocations are sufficient to absorb the impact of the donor withdrawal, and reliance on emergency reserves as a temporary fix raises questions about long-term sustainability. In a context where HIV incidence remains high, particularly among adolescent girls and young women, real-term reductions are not only short-sighted but regressive. Furthermore, these funding decisions overlook the gendered dynamics of the epidemic and the unequal burden of care shouldered by women.

We therefore urge Parliament to strengthen its oversight role by ensuring that real-term cuts to health conditional grants are reversed, particularly where these cuts undermine progress towards constitutional rights. Parliament should insist that Treasury and the Department of Health develop and publish a clear, time-bound capacity support plan to address underspending, rather than penalising provinces with inadequate allocations. This plan should include interventions to improve procurement systems, strengthen infrastructure project management, and build financial oversight capacity within provincial departments. Parliament should also ensure that health conditional grants are transparently linked to performance targets, disaggregated by province and gender where appropriate, and subject to regular public reporting to improve accountability and responsiveness.

Health Facility Revitalisation Grant

The Health Facility Revitalisation Grant, which plays a vital role in upgrading and maintaining clinic and hospital infrastructure across the country, receives a nominal increase of 1.2% in the 2025/26 financial year. This is the first upward adjustment after two consecutive years of cost containment and budget cuts, previously justified by persistent underspending. The grant was reduced by 5.2% (R440 million) in 2023/24 and by a further R1.2 billion in 2024/25. Although this year's increase represents a real-term decrease of 2.5% when adjusted for the projected 4.7% inflation, it does indicate a modest shift in the trend of declining allocations.

In the context of recent extreme weather events that have severely damaged public health infrastructure in several provinces, this marginal increase offers a limited but important opportunity for provinces to begin repairing affected facilities and to lay the foundation for more climate-resilient infrastructure. However, the allocation - rising only from R7.1 billion to R7.2 billion - remains far below what is required to address South Africa's deep infrastructure backlogs. Many communities continue to depend

on crumbling clinics, unsafe mud structures, and facilities long overdue for maintenance or replacement. These conditions have been exacerbated by storms, floods, and other climate-related disruptions that further compromise already vulnerable infrastructure.

In previous iterations of the Division of Revenue Bill, cuts to this grant were largely attributed to historical underspending and delays in project execution. While underspending is indeed a concern, responding by reducing allocations - even subtly through real-term erosion - is counterproductive. This approach does not build implementation capacity and instead penalises the very communities that depend on functional public healthcare. It undermines the constitutional obligation to progressively realise the right to access healthcare services and shifts the burden of systemic inefficiencies onto the most marginalised.

The solution to underspending lies not in reduced funding, but in stronger planning, financial management, and oversight mechanisms. The National Treasury, together with the Department of Health, must ensure that infrastructure procurement processes are transparent, cost-effective, and accountable. Continued underfunding reflects not only shortcomings in provincial execution but also a failure of national oversight and intergovernmental support. Unless these systemic issues are addressed, infrastructure failures will persist and health outcomes will continue to suffer.

We therefore recommend that Parliament call on the National Treasury and the Department of Health to jointly develop a targeted capacity-building and support plan for provincial health departments. This plan should include concrete interventions to strengthen planning, procurement, and financial oversight systems. Additionally, the Appropriations Committee should require more frequent and detailed reporting on the grant's performance, including spending trends, project implementation progress, and the resolution of procurement-related bottlenecks.

District Health Programmes Grant: HIV and AIDS funding

2025 is a pivotal year for South Africa's HIV and AIDS response, with government commitments in place to meet the 95-95-95 targets by year-end: diagnosing 95% of people living with HIV, initiating treatment for 95% of those diagnosed, and achieving viral suppression in 95% of those on treatment. While countries such as Botswana,

Eswatini, Rwanda, Tanzania and Zimbabwe have already met these goals, South Africa risks falling short without urgent and sustained investment. The country has made notable progress, transitioning from a period of HIV denialism to a free public antiretroviral therapy programme that has improved life expectancy and reduced child mortality. However, the epidemic remains a major public health and socio-economic challenge. The recent withdrawal of significant USAID funding has created a gap in HIV and AIDS programme financing, and although Treasury indicated that emergency reserves may be used to offset this, the concurrent use of reserves to buffer the revised VAT increase raises questions about long-term sustainability. In this context, the 1.4% increase to the District Health Programmes Grant's HIV and AIDS services component, bringing the allocation to R28.3 billion, represents a real-term decrease of 2.5% after adjusting for inflation. With rising input costs and growing service demands, this allocation risks constraining the ability to maintain current levels of care and could seriously undermine efforts to expand access and achieve national HIV targets.

Social Protection and Social Grants

Social Relief of Distress Grant

South Africa continues to face a deep and persistent failure to create meaningful economic opportunities, particularly for young people. Disappointingly, despite efforts to stimulate growth, the economy remains unable to absorb the large number of young people entering the labour market each year. High unemployment, stagnant job creation, and the dominance of precarious work have left millions without a foothold in the economy. In this context, the Social Relief of Distress (SRD) Grant has become an essential mechanism to bridge the gap between exclusion and participation, particularly for economically vulnerable youth.

The SRD grant, originally introduced as a temporary response to the COVID-19 crisis, has evolved into a form of support for those shut out of the formal economy. Yet it remains deeply constrained. The 2025/26 budget maintains the grant at R370 per month - well below the Food Poverty Line of R796. Adjusted for inflation, the grant's real value has declined to just R293 in 2020 terms. This erosion limits its effectiveness as a stepping stone toward economic inclusion and undermines its impact as a tool for stability, opportunity, and resilience.

Despite the scale of need, the SRD grant is still capped by an arbitrary budget ceiling that excludes millions. Approximately 18.3 million adults live below the Food Poverty Line, but only 9 million receive the grant. Nearly 10 million people, many of them young and actively seeking work or informal income opportunities, are left without this basic level of support, not due to ineligibility, but because of insufficient budget allocation. This exclusion entrenches economic marginalisation and weakens the foundation needed to transition individuals into more sustainable livelihood pathways.

Adding to the concern is the lack of clarity about the SRD grant's future. While government has made prior commitments to a permanent Basic Income Support system, the 2025 Estimates of National Expenditure do not indicate that the grant will be sustained beyond 2026/27. This policy uncertainty contradicts the President's public commitments and leaves millions in limbo, including many who use the grant to fund transport, data, and other essentials needed to access work, training, or informal income. The Pretoria High Court has rightly found that limiting access to the SRD grant constitutes a regression of constitutional rights to social security. The state's appeal of this ruling prolongs uncertainty and delays urgent reform.

Importantly, in the absence of gainful employment, the SRD grant plays a catalytic role in the broader economy. It supports informal traders, sustains household purchasing power, and creates local demand that enables community-level job creation. At a time of low growth, weak consumer demand, and constrained public investment, small and consistent transfers like the SRD grant can act as an entry point into local economic participation. Effected correctly, they can offer a foundation for resilience, not dependence.

Given the structural challenges in South Africa's labour market and the urgent need to create more inclusive pathways into the economy, the SRD grant should be recognised as a tool to support access and opportunity, particularly for young people, rather than being viewed solely as a form of social relief. Parliament must take decisive action to improve its adequacy and expand its reach so that all economically vulnerable youth have a fair chance to participate meaningfully in the economy. The permanent adoption and universalisation of the SRD grant should be seen as a first step toward a broader system of income support that builds economic resilience, particularly for youth and those affected by the shift to a low-carbon economy. In doing so, income support becomes part of a just transition strategy, one that reduces

inequality, supports climate resilience, and enables people to contribute meaningfully to society and the economy.

Child Support Grant

The Child Support Grant (CSG) remains the largest and most wide-reaching income support programme in South Africa, but in its current form, it continues to fall well below the threshold required to meet children's basic needs. For the 2025/26 financial year, the CSG has been increased to R560 per month. While this reflects a nominal increase, it still sits R236 below the Food Poverty Line of R796 and a full R391 below the estimated cost of feeding a child a basic nutritious diet, currently calculated at R951. This persistent shortfall severely undermines the grant's ability to fulfil its intended function of protecting children from hunger, malnutrition, and stunting. One in four children in South Africa continues to suffer from chronic malnutrition, and the insufficient value of the CSG contributes to this ongoing crisis.

Moreover, these challenges are disproportionately borne by women, particularly female-headed households, who rely on the CSG to support children in contexts of widespread unemployment and income insecurity. The CSG is not just a social protection tool, but also a key intervention for advancing child rights, supporting early development, and improving long-term health and education outcomes. Despite its importance, the CSG continues to be underfunded relative to the cost of living. Furthermore, the proposed VAT increase will disproportionately harm low-income households, eroding the real value of the grant and forcing families to spend more on basic food items and services. It is also concerning that government has not committed to aligning the CSG with the cost of a nutritious food basket, nor have there been steps to adjust it for inflation in a systematic way. Parliament must take an active role in reversing this trend by ensuring that the CSG is increased to a level that reflects the actual cost of meeting a child's basic nutritional needs and is protected from inflationary erosion.

This Committee should insist on increasing the Child Support Grant to at least match the Food Poverty Line, ensure it is adjusted annually in line with food inflation, and urgently assess the impact of the proposed VAT increase on grant-receiving households to prevent further erosion of its value.

Land and Agriculture

Communities in Limpopo expressed concerns about the lack of financial support to small scale farmers (particularly women) and access to land and water resources.

The BJC was encouraged to see increases to provincial transfers under the Land Reform and Restitution programme of the Department of Land Reform and Rural Development. We will be analysing the budget and associated documents for this vote going forward to understand needs and gaps of communities across provinces, and the extent to which allocations and execution of budgets address these needs.

We also note increases to provincial transfers within the Department of Agriculture including:

- Land Care Grant
- Comprehensive agriculture support programme grant: Extension recovery planning services
- Comprehensive agriculture support programme grant: Upgrading of provincial agriculture colleges
- Ilima/Letsema projects grant

However, we note the decrease in the Infrastructure component of the Comprehensive Agriculture Support Programme Grant, and no allocation to flood damage/disaster recovery over the MTEF. Given recent climate trends, it is likely that floods and climate change related disasters will remain a significant threat.

We further note, with concern the expenditure trends reported in the provincial in year publications. Only the Eastern Cape province appears to be largely on track to spend allocations (with Q3 spending at around 75% of total transfers). Other provinces appear likely to have underspent at the end of the year (Q4 reports have not yet been released to analyse the trends in detail). This includes the following areas where less than 70% of the allocation was spent at the end of Q3:

- **Free State** reported 48,3% spent of overall allocation to Agriculture, land reform and rural development with only 41,2% of allocation spent on the Comprehensive agriculture support programme grant
- **Gauteng** reported 37,4% spent overall with 36,3% spent on Comprehensive agriculture support programme grant, 47,5% on Ilima/Letsema Projects Grant and 11,3% Land Care Programme Grant: Poverty Relief and Infrastructure Development
- **KZN** reported 54,9% spent overall with 53,6% spent on Comprehensive agriculture support programme grant and 55,3% on Ilima/Letsema Projects
- **Limpopo** reported 56,4% spent overall with 54,2% spent on Comprehensive agriculture support programme grant and 63,4% on Ilima/Letsema Projects
- **Mpumalanga** reported 54,6% overall with 47,3% on Comprehensive agriculture support programme grant and 51,2% on Land Care Programme Grant: Poverty Relief and Infrastructure Development
- **Northern Cape** 35,5% overall with 50,8% on Comprehensive agriculture support programme grant, 0% on Ilima/Letsema Projects and 21,5% on and Land Care Programme Grant: Poverty Relief and Infrastructure Development
- **North West** reported 46,4% overall with 38,2% on Comprehensive agriculture support programme grant
- **Western Cape** reported 44,5% overall with 38,7% Comprehensive agriculture support programme grant and 55,8% on Land Care Programme Grant: Poverty Relief and Infrastructure Development

This reflects poor planning, monitoring and oversight and an injustice to communities who desperately need support. It further undermines future allocations as departments who fail to spend their allocations are unlikely to receive much needed increases in future years.

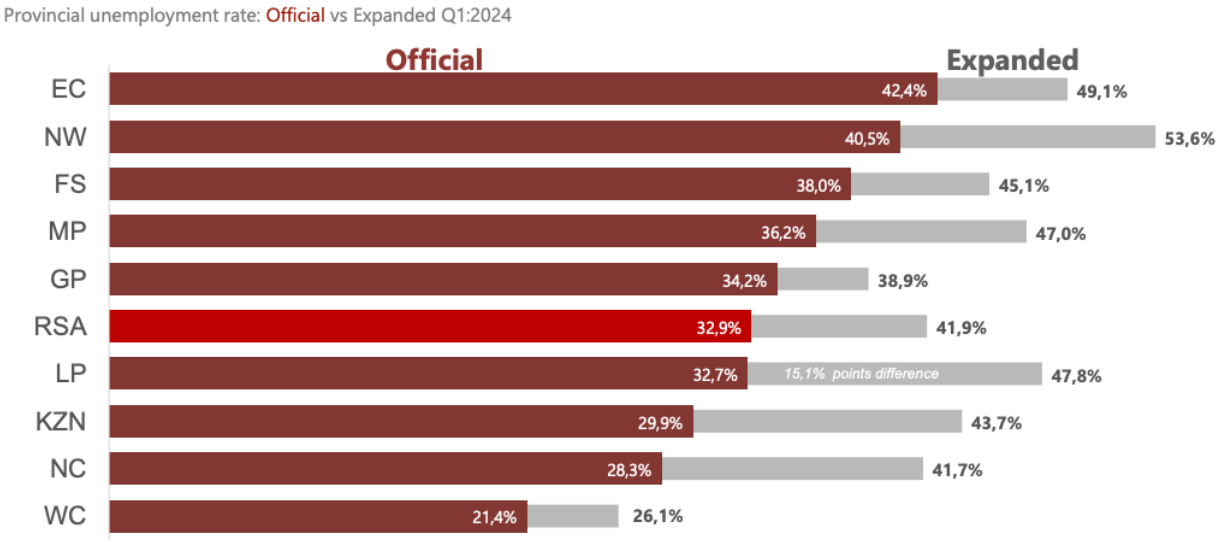
Youth unemployment, public employment programmes and skilling

Young people remain the hardest hit by unemployment and poverty, with a staggering 45.6% unemployment rate among those aged 15 to 34 at the end of 2024. Joblessness is most severe among 15- to 24-year-olds, reaching 59.4%, while more than 10 million young people remain economically inactive, neither in employment,

education, nor training. While unemployment is a complex issue, its nature is structural- current interventions have failed to address the drives of the crisis- this is cause of concern not only for the well-being of youth, but also the general economic growth in the country.

Despite this deepening crisis, the budget fails to prioritise youth, lacking bold interventions for higher education funding, skills development, and public employment.

Unemployment trends differ across provinces, as illustrated in the Quarterly Labour Force Survey (QLFS) Q4 results below. These results imply the need for targeted interventions that take internal and external factors in each province into account.



The BJC looked at areas of the budget that respond to youth unemployment which include Public Employment Programmes and Higher Education, as well as social protection and income support to unemployed people.

Public employment programmes (PEPs) are a way of expanding the economy by providing work experience, stimulating demand and providing essential services. A report by the Department of Monitoring and Evaluation 2024) on youth programmes confirmed that these programmes are underfunded for the scope they have.

South Africa has three PEPs, which had a budget of almost R17 billion during 202324. These are: the Presidential Employment Stimulus PES, the Expanded Public Works Programme EPWP) and the Community Works Programme CWP, which created about 1.8 million work opportunities and 900 000 full time equivalent

FTE) jobs during that year. The 2024 budget announced deep cuts of almost R14 billion to the three programmes. In line with the overall policy shift and temporary pause in spending cuts, the 2025 budget announced a large increase in above and below-the-line allocations to the PES, while maintaining lower levels of spending at the EPWP and the CWP.

The EPWP includes transfer details to provinces. While we have not yet analysed the distribution of these funds across the provinces, we have assessed the spending performance at provincial level. We find that most provinces had already spent more that 75% of the allocation to EPWP at the end of Q3 indicating that they are likely to exhaust or overspend by the end of the year, with the exception of North West which had only spent 66,3% of the grant. Overall, spending on the social sector EPWP was higher than the general allocation. The BJC again notes its concern with the decision to merge the social sector EPWP into the general grant and encourages the Committee to investigate the justification and potential implications of this decision, given the importance of care work in an economically and socially just society.

The 2024 budget cut R27 billion from the Department of Higher Education and Training DHET) over three years. Key cuts included:

- R16 billion from NSFAS
- R6 billion from higher education and TVET infrastructure
- R4.9 billion from university subsidies

The 2025 budget added another R1.1 billion in cuts. However, university education saw small funding increases:

- R18.1 million for universities
- R262.6 million for TVET colleges In 20242025, 1.7 million students enrolled in higher education:
- R1.1 million in public universities
- R 620,000 in TVET colleges

Developing a universal system of higher education that significantly upgrades the population's level of educational attainment within one generation. In 2022, South Africa had a tertiary enrolment rate of 27.1% compared with 78.4% for members of the Organisation for Economic Development and Co-Operation OECD. The higher education sector needs to double in size.

Allocations to higher education and the PES are not disaggregated by province. This is perhaps something that needs to be investigated by the Committee.

Local Government

Local government is instrumental in providing communities with essential services such as clean water, proper sanitation, reliable electricity, effective waste management, and well-maintained roads and municipal infrastructure. After years of service delivery failures, council and administrative instability, financial mismanagement and disregard for the law, municipalities continue to face deepening crises, reflected in the state of infrastructure, quality and reliability of services, and dissatisfaction of communities.

The AGSA continues to highlight persistent weaknesses in service delivery planning, reporting and achievement; failing municipal infrastructure; and the increasing pressure on local government finances due to a lack of careful spending. The trend of poor outcomes continued with only 34 (13%), of municipalities receiving a clean audit in the 2022/23 MFMA report. The report notes that while 45 municipalities improved outcomes (often following an intervention), 36 had regressed.

The AGSA found that 72% of the 75 infrastructure projects visited showed significant deficiencies. Too often work was delayed, costing more than planned and is of poor quality. Further new infrastructure is not put to use as soon as it is ready delaying provision of essential services. Existing infrastructure continues to deteriorate due to insufficient maintenance and safeguarding. This undermines the delivery of much needed services and the potential impact of infrastructure investment on unemployment and economic growth.

Despite emphasis in the budget each year, dating back as far 2003, and commitments from various stakeholders to improving outcomes, the situation appears to be getting worse in many municipalities across the country.

The Good Governance Index (GGI) illustrates trends in local government performance and differences in outcomes across provinces, districts and municipalities. These differences must be analysed further to understand what is required to improve equitable outcomes.

For example, in the 2024 GGI, results from HSRC surveys show that municipal satisfaction is lowest in in the four provinces (KwaZulu-Natal, Limpopo, Eastern Cape and North West) where areas historically governed by the homeland system are most prevalent. These and other factors must be considered in the reviews of the local government fiscal framework (and provincial allocations). The index illustrates that good governance is linked to improved service delivery outcomes. Municipalities with good audit outcomes, low vacancy and turnover rates receive higher scores for service delivery.

The 2025 DoRB includes several changes to local government allocations proposed in the 2024 MTBPS. Local government allocations increase by R1.8 billion over the 2025 MTEF period. Direct allocations to municipalities over the next three years grow at an average annual rate of 4 per cent. Indirect allocations grow at an average annual rate of 4.9 per cent.

The local government equitable share will increase from R99.5 billion in 2024/25 to R115.7 billion in 2027/28. This is to fund increases in the cost of bulk water and electricity costs provided for free to needy households. In 2025/26, 83 per cent of the local government equitable share provides a free basic services package of R610 per month to 11.2 million poor households.

Additionally, there is a clear need for a dedicated climate and resilience allocation that would fund climate adaptation and mitigation strategies for human settlements, especially in vulnerable areas. There is a need to acknowledge the harsh realities that climate change has and will have on human settlements within the country, and how the effects will negatively impact people and their social-economic wellbeing further straining the already frail structures in local government.

There is a need to bolster climate resilience through financial support structures and improving availability of services, materials, facilities, and infrastructure to ensure people have easy access to social and economic opportunities, including education, healthcare, employment, recreational facilities, and more whilst ensuring they are not further impacted by the climate crisis.

Our submission looks briefly at the local government equitable share and select conditional grants.

Equitable share

Over the 2025 MTEF period, the local government equitable share, including the Regional Service Council/Joint Service Board (RSC/JSB) levies replacement grant and the special support for councillor remuneration and ward committees grant, amounts to R332.4 billion (R106.1 billion in 2025/26, R110.7 billion in 2026/27 and R115.7 billion in 2027/28).

The equitable share provides funding for municipalities to deliver free basic services to poor households and subsidises the cost of administration and other core services for those municipalities with the least potential to cover these costs from their own revenues. From our assessment it is difficult to determine the extent to which these allocations are being distributed.

It is unclear whether these allocations will be sufficient to address ongoing challenges faced by municipalities. We call for transparency in the review of the local government equitable share, and local government fiscal framework. This work must be undertaken in an expedient manner so that reforms can be implemented as a matter of urgency. Interventions to date (CoGTA, Provincial Treasuries, capacity enhancing grants and other measures) have shown limited impact.

Conditional Grants

The total value of conditional grants directly transferred to local government grows from R53.9 billion in 2025/26 to R56.8 billion in 2026/27 and declines slightly to R56.7 billion in 2027/28.

National transfers for infrastructure, including indirect or in-kind allocations to entities executing specific projects in municipalities, amount to R186 billion over the 2025 MTEF period.

A total of R5.4 billion is allocated to capacity-building grants and other current transfers to local government over the medium term. This should help to improve performance, however it must be accompanied by commitments to improve structures and processes,

as well as planning and oversight to ensure that funds are used to meet the needs of local communities.

Water and Sanitation

South Africa's recent Blue, Brown and Green Drop reports reveal significant challenges in the country's water and sanitation sectors.

The 2023 Blue Drop Report assessed 958 water supply systems across South Africa. Only 26 systems achieved the prestigious Blue Drop certification, a sharp decline from 44 in 2014. Alarmingly, 277 systems were identified as being in a critical state, up from 177 in 2014. Moreover, 46% of systems showed poor or bad microbiological water quality compliance, a significant increase from just 5% in 2014. While major metropolitan areas generally maintain good water quality, the overall trend indicates a deterioration in drinking water safety nationwide.

The Green Drop Report evaluates the performance of municipal wastewater treatment plants. Recent findings indicate that only 13% of processed sewage meets the minimum standards for discharge into water resources. This suggests that a vast majority of wastewater treatment facilities are underperforming, posing risks to environmental and public health.

The Brown Drop program is a regulatory platform aimed at managing excreta flows in South Africa, particularly focusing on non-sewered sanitation systems. It seeks to improve sanitation planning and ensure sustainable services, longevity of investments, and protection of public health and the environment .

These reports underscore the urgent need for systemic reforms in South Africa's water and sanitation sectors. Addressing infrastructure deficits, enhancing maintenance, and ensuring compliance with safety standards are critical steps to safeguard public health and environmental integrity.

The water and sanitation (W&S) budget is particularly complex, largely due to the way funds are disbursed through multiple entities and municipalities. Additionally, the fact that a portion of service provision is funded through user charges further complicates financial oversight and planning. Despite this, our recent analysis has revealed several concerning trends that warrant urgent attention from oversight bodies and policymakers alike. For the

submission we looked only at allocations to the Department of Water & Sanitation (DWS) and the transfers to the main W&S conditional grants, the Regional Bulk Infrastrastructure Grant (RBIG) and the Water Services Infrastructure Grant (WSIG). Further analysis is required to include Water Boards and other departments and entities, and to unpack trends across provinces and municipalities.

Over the MTEF, allocations to RBIG decline by 5,9% (nominal terms), which could severely undermine urgent infrastructure expansion and maintenance. Allocations to the WSIG increase by 4,5% only just keeping pace with inflation.

One of the most pressing issues noted in our assessment of the DWS budget and associated documents, is the persistently high vacancy rate in the W&S sector, with 23% of funded positions vacant as of January 2025. This is one of the highest vacancy rates among departments. The reasons typically cited for this include ongoing structural changes, difficulties in finding suitable candidates, and overarching budget constraints. However, a closer examination of compensation practices reveals that funds allocated for vacant posts are frequently reallocated to goods and services[2] (computer services, employee bursaries, travel & subsistence), raising questions about whether budget constraints are genuinely the root cause of these staffing shortages. Vacancies in recruitment and HR functions also undermine the ability of the department to recruit and retain skilled staff.

Performance against targets is also concerning. In the 2024 MTBPS, the W&S Vote chapter in the AENE stated that no mega regional bulk infrastructure project phases were completed in the first half of the year because of Eskom electricity connections not being available and poor contractor performance. Only 1 large regional bulk infrastructure project phase was completed by mid-year, the Greater Mamusa bulk water supply project, against an annual target of 6. Only 30 of an annual target of 112 small projects funded through the water services infrastructure grant were completed by mid-year because of the delayed commencement of some projects

Delays in contractor appointments, community unrest, and procurement inefficiencies are often cited as key factors behind poor implementation in W&S infrastructure projects. Yet these issues are compounded by high vacancy rates in critical roles, including engineers,

[2] https://www.treasury.gov.za/documents/mtbps/2024/aene/Vote%2041%20Water%20and%20Sanitation.pdf

plant operators, and community engagement personnel—functions that are essential for planning, execution, and stakeholder management.

Further analysis of the 2023/24 annual report reveals alarmingly high vacancy rates within the national department itself, particularly in HR, strategic planning, technical support, and oversight roles. These gaps severely undermine the department's ability to provide effective leadership and support across the sector. While we have not conducted a detailed review of historical annual reports, a cursory glance suggests that these issues are not new, but have persisted over multiple years without resolution.

This ongoing dysfunction is unacceptable in a country facing increasingly severe and urgent water and sanitation challenges. We urge the relevant parliamentary committee to interrogate these issues more thoroughly. It is imperative that structural and operational inefficiencies are addressed as a matter of priority, and that every effort is made to ensure that funds allocated to W&S projects are spent effectively and deliver tangible improvements for communities in need.

To improve oversight of conditional grants, DWS should strengthen systems across planning, monitoring, technical support, accountability and transparency. To do this, they must, as a matter of urgency, address the high vacancy rate in the department.

Climate Responsive conditional grants

Despite the severity of extreme weather events and the promulgation of the Climate Change Act this year, there are minimal mentions of climate in the entire Division of Revenue Bill. The conditional grants review process highlighted the need to streamline existing conditional grants rather than risk duplication and administrative costs and add new ones. With this in mind, there is an urgent need for climate responsiveness to be streamlined into existing conditional grants.

The mentions of climate are predominantly under the Integrated Urban Development Grant (IUDG). The IUDG allocation for 2023/24 was R1.2 billion and 99.9 per cent of the allocated funds were spent in 2023/24, but only limited municipalities meet the requirements to receive these. Urban municipalities with high economic activity are prioritized yet more rural areas are far more vulnerable to climate impacts. Within the grant, the specific mention of climate is limited to the planning phase of the grant, focusing

on supporting municipalities to develop finance strategies for green and climate resilient infrastructure, and develop climate change mitigation and adaptation plans. While planning is an important component in responding to climate change, this is insufficient if municipalities do not have sufficient funds and capacity to carry out these plans. For example, to mitigate flooding, municipalities need to maintain their stormwater infrastructure. In rural areas municipalities need to protect and manage ecological infrastructure, like streams flowing into rivers, to ensure that excess water can be naturally absorbed and adequately flow away from settlements. Without funds, it is difficult to ensure this happens. Given the fact that municipalities are on the frontline of responding to the climate crisis, the increased financial burden of repair and maintenance due to repetitive climate impacts is already falling on them. It is imperative that they have adequate financial support and capacity to respond to the crisis.

Annexure W1 makes mention of the National treasury Disaster risk financing strategy, which highlights climate bonds and other blended finance mechanisms that risk exacerbating the debt burdens of recipients, and potentially increasing the vulnerability of those most vulnerable if they are required to raise the revenue to pay off the debt through tariffs. While the proactive approach to disaster management outlined in the review of the disaster management framework is a welcome shift, it fails to recognise that climate impacts are not limited to disasters, but often through slow, persistent degradation of infrastructure and available funds for repair from accumulating multiple smaller scale and sustained impacts from climate change. Municipalities need targeted financial support for mainstreaming their climate responsiveness into daily operations.

Public Participation and budget transparency

The BJC was encouraged by the initiative by the Standing Committee on Appropriations to conduct in person hearings on the DoRB in Limpopo this year, however, we were disappointed to find that many of the community members we engaged were not aware of the hearings, the process or their right to participate.

While South Africa already scores well in transparency in the Open Budget Survey (OBS) but its public participation score has historically been low. The absence of meaningful

opportunities to participate undermines the potential impact of transparency as citizens feel unable to influence budget decisions.

This year the BJC will be expanding its engagements with communities across the country and we would like to encourage the Committee to support our goal of improving participation scores in the next OBS through sustainable measures to widen and deepen participation. Some of the ways we believe this can be done include:

- Formalise participation across the budget cycle including pre-budget consultations (forums, pre-budget inputs & recommendations), during formulation, and post budget phase (including expenditure monitoring)
- Map linkages through local government, province and national budget processes to ensure needs are adequately addressed and communities are aware of where to focus their inputs and advocacy
- Continue to develop and improve citizen friendly budget documents and data, including maintenance of existing data portals (vulekamali, Municipal Money)
- Strengthen feedback mechanisms so that the public can clearly see how their inputs have been considered and addressed by the relevant department

Recommendations

1) **Participatory Human Rights Impact Assessments** must be applied to all budget decisions to enable the State to better understand, assess and address any adverse effects these decisions may have on the constitutionally protected human rights of people in this country.

2) Considering the disproportionately gendered impact of budget cuts to social spending, **Gender Responsive Budgeting (GRB)** must be implemented with greater urgency, with stronger commitments and inputs from local and provincial spheres of government.

3) We continue to call for **allocations to the provinces to align with CPI, population growth and the increased number of people** relying on public services, as well as specific internal and external factors that impact different provinces. The **review of the PES** and conditional grants must be undertaken in a transparent manner that includes input from the public.

4) There must be a **permanent budget investment in public employment programmes**, with a long-term view to the establishment of a job guarantee programme. The Presidential Employment Stimulus must be extended (to this end, Youth Capital collected over 24 000 signatures in partnership with Amandla.mobi) and increased; funding for the Expanded Public Work Programme and Community Work Programme need to be reinstated. Public employment also requires a comprehensive monitoring and evaluation framework.

5) Continued support for **increases to the ECD subsidy** towards a value of at least R46 per eligible child per day by 2029. This will make running an ECD programme in low income communities more viable, increasing the number of ECD programmes operating, and allowing programmes to improve the working conditions of ECD practitioners and the overall quality of their programme, thereby dramatically improving access to quality ECD and outcomes for children.

6) **Increase the Child Support Grant to the food poverty line, currently R760 per month**, initially for children aged 0-5 and adding older children in three-year blocks each subsequent year.

7) The review of the **Local Government Fiscal Framework** must be undertaken in a **timeous and comprehensive** manner that includes input from civil society. The recommendations must consider the impact of past interventions and develop workable solutions to persistent challenges hindering municipal service delivery including planning, monitoring and oversight

8) The Committee should work with National and provincial Treasuries, as well as sector departments to **improve transparency in procurement processes to enable citizen led monitoring and oversight** to address persistent procurement challenges impeding the delivery of services.

9) We recommend that **estimates on municipal bills be tied to average actual use** by the household to avoid municipalities from over-inflating the sense of how much money is due to them and a **municipal billing drive** to deal with billing errors.

10) Parliament must take decisive action to improve the **adequacy and coverage of the SRD grant** and expand its reach so that all economically vulnerable youth have a fair chance to participate meaningfully in the economy.

11) Continued engagement and oversight of the drafting of **Procurement Regulations** (to accompany the recently adopted Procurement Act), with due regard

to its implications on anti-corruption efforts, transparency and accountability in procurement processes.

12) The Committee should look into the unacceptably **high vacancy rates for funded posts** to understand precisely what is preventing these positions from being filled, the impact of these vacancies on oversight of provincial transfers, and the availability of sufficient planning, monitoring and technical support to provinces and municipalities

13) The Committee should investigate **poor spending performance of transfers, particularly in Agriculture, Land Reform and Rural Development** and implement robust in year monitoring systems to improve outcomes

14) The Committee should continue to find meaningful ways to expand public participation in the budget process including the formulation and implementation phase

Summary

The coalition welcomed increased allocations to social sectors, but raised serious concerns about regressive revenue measures, particularly the proposed VAT increase, persistent underfunding, and weak implementation capacity across key departments and programmes.

Overview and Key Concerns

- **Budget Structure**: While total national transfers to provinces are set to increase from R730.7 billion in 2024/25 to R833.8 billion by 2027/28, these increases are insufficient to undo the effects of years of austerity. Real spending growth is marginal once adjusted for inflation and population growth.
- **VAT Increase**: Widely criticised by communities and civil society, the VAT increase disproportionately affects low-income households—particularly women-headed households—and risks eroding gains in social spending
- **Public Participation**: Community engagements in Limpopo revealed a lack of awareness about public budget hearings. This reflects poor implementation of participatory processes, especially in rural areas.

Community Voices and Social Spending Priorities based on residents inputs from residents across Limpopo

- **Healthcare**: Overcrowded and under-resourced clinics; demand for 24-hour health services and more staff.
- **Education**: Infrastructure deficits, teacher shortages, and difficulties accessing NSFAS.
- **Unemployment**: Particularly severe among youth, including qualified graduates.
- **Basic Income Grant (BIG)**: Current SRD grant (R370) is inadequate and excludes millions; demand for its expansion and institutionalisation.
- **Water and Sanitation**: Service delivery failures and poor infrastructure remain widespread.

Sectoral Budget Analysis

- **Health and Education**: Despite nominal increases in grants like the Health Facility Revitalisation and Education Infrastructure Grants, real-term cuts persist due to inflation. Understaffing and the withdrawal of donor funds (e.g., USAID) are major threats to service delivery.
- **ECD and Social Grants**: The ECD grant saw a notable increase, but remains below what's needed to ensure quality early childhood education. The Child Support Grant (R560) and SRD grant (R370) fall far short of the food poverty line (R796), undermining child and youth development
- **Personnel Funding**: Over 100,000 vacant funded posts in public service (January 2025), especially in critical areas like health and education. Vacancy durations exceed 2000 days in some cases, attributed to slow administrative processes and budget constraints.

Local Government and Conditional Grants

- **Municipal Finance**: Local governments face worsening infrastructure and service failures. AGSA audits reveal significant deficiencies in project implementation.
- **Water and Sanitation**: Blue, Green, and Brown Drop reports reflect declining water quality, failing wastewater treatment, and underperforming sanitation systems. The Department of Water and Sanitation shows a 23% vacancy rate, with poor project implementation and spending performance.
- **Conditional Grants**: Several grants were merged or cut, such as the School Infrastructure Backlog Grant. While administrative streamlining is cited, the move risks diluting focus on urgent needs, particularly in care and gender-responsive

services.

Cross-Cutting Issues

- **Gender Responsive Budgeting (GRB)**: Although the 2025 budget includes a Gender Budget Statement, actual departmental budgets lack gender-sensitive planning or disaggregated data. The impact of VAT, underfunding in care sectors, and failure to recognise unpaid care work continue to deepen gender inequalities.
- **Climate Responsiveness**: Minimal references to climate resilience in the DoRB, despite the enactment of the Climate Change Act. There is no dedicated climate grant; municipalities are left underfunded to address climate-related damage to infrastructure.
- **Data Deficiency**: Key budget decisions rely on outdated data, with crucial inputs like the 2022/23 Income and Expenditure Survey and revised census data still unavailable. Stats SA has a high vacancy rate (19%), further compromising data reliability.