

BUDGET SPEECH

2026/27



FRANCOIS RODGERS, MPL

MEC FOR FINANCE

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To obtain further copies of this document, please contact:

Provincial Treasury
Treasury House, 5th Floor
145 Chief Albert Luthuli Road
Pietermaritzburg
3201

P.O. Box 3613
Pietermaritzburg
3200

Tel: +27 (0) 33 – 897 4310
Fax: +27 (0)33 – 897 4617

PROVINCE OF KWAZULU-NATAL

Budget Address by Francois Rodgers MEC for Finance

On tabling of the 2026/27 MTEF Budget in the KwaZulu-Natal Provincial Legislature

10 March 2026

Honourable Speaker, Ms Nontembeko Boyce

Honourable Deputy Speaker, Ms Mmabatho Tembe

Honourable Premier, Mr Thamsanqa Ntuli

Members of the KwaZulu-Natal Provincial Executive Council

Honourable Members of the Provincial Legislature

Members of the diplomatic corps

Chairperson of the KZN Provincial House of Traditional and Khoi-San Leaders,

Inkosi Shinga

All traditional leaders

Acting Director General, Mr. Sbu Ngubane

Head of Department, Ms Carol Coetzee

All Heads of Departments and Senior Management

CEOs of Public Entities

People of KwaZulu-Natal

Members of the media

Business leaders

Distinguished guests

1. INTRODUCTION

Madame Speaker today I table the 2026/27 budget with a deep sense of responsibility but also with renewed confidence.

Confidence in the resilience of our province. Confidence in the direction of our public finances. And confidence that KwaZulu-Natal is steadily moving from recovery to renewal.

This is not just another budget. It is a budget that reflects stability after uncertainty, discipline after strain, and hope after hardship. It is a budget that confirms that our province is turning the corner.

I base this opening statement on empirical evidence, recovery is not an event – it is a discipline, and this is borne out by the successful implementation of the Provincial Financial Recovery Plan. The Provincial Financial Recovery Plan is not an austerity exercise divorced from economic reality. It is:

- A deliberate, evidence-based strategy to stabilise the provincial fiscus,
- A practical plan to restore credibility, discipline, and predictability, and
- A foundation for sustainable service delivery and economic growth.

Crucially, the Recovery Plan is not about cutting for the sake of cutting. It is about aligning what we plan, what we fund, and what we deliver.

At its heart, the Recovery Plan focuses on four non-negotiable outcomes:

1. **Stabilising the fiscus**

- Paying creditors through structured repayment plans.
- Managing cash flow responsibly.
- Preventing further accumulation of unauthorised expenditure.

2. **Restoring fiscal discipline and governance**

- Strengthening oversight, consequence management, and transparency.
- Addressing waste, inefficiency, and corruption decisively.

3. **Protecting frontline service delivery**

- Ensuring that limited resources are directed to high-impact, essential services.

4. **Rebuilding confidence in KwaZulu-Natal**

- Confidence of suppliers.
- Confidence of investors.
- Confidence of citizens.

The Government of Provincial Unity is committed to holding the line on fiscal discipline, strengthen governance, through collaboration, we will:

- Stabilise the province,
- Protect service delivery, and
- Create the conditions for inclusive economic growth.

Honourable Speaker, it is my honour to present the 2026/27 MTEF *Estimates of Provincial Revenue and Expenditure* which gives details of the provincial fiscal framework to the people of this province and beyond. These estimates provide an opportunity for the Provincial Legislature and citizens to hold the provincial departments and public entities accountable for the public funds they spend. Please allow me to table the following documents, noting that these are being tabled electronically this year as we demonstrate our commitment to reducing costs:

- **Appropriation Bill, 2026** (when appropriated, this Bill will give the legal basis for departments and public entities to spend their 2026/27 budgets)
- **2026/27 Provincial Budget Speech**
- **2026/27 Estimates of Provincial Revenue and Expenditure**
- **2026/27 Estimates of Capital Expenditure.**

We have vastly reduced the number of copies that we print of these documents, thus reducing our printing costs by 44 per cent or R70 000 when compared to last year.

2. ECONOMIC OUTLOOK

Madam Speaker, allow me to provide the economic context of the budget I am presenting today.

The global economy has stabilised after a turbulent period characterised by adverse shocks. The International Monetary Fund projects that global growth will remain steady at 3.3% in 2026, with a slight deceleration to 3.2% in 2027, due to the lower-than-expected impact of trade tariffs. However, despite this resilient growth trajectory, the world economy could slow down if trade tensions escalate and trade barriers increase.

Turning to South Africa, the national economic outlook is mixed, reflecting a complex interplay of global and domestic factors. The country continues to face structural challenges, including high unemployment and infrastructure bottlenecks, which are hindering growth prospects. However, recent policy reforms and investment-attracting initiatives indicate a commitment to building economic resilience and promoting long-term growth. The electricity supply has remained stable for over a year, while reforms aimed at addressing logistical constraints are ongoing.

Given these dynamics, the country's real gross domestic product (GDP) is estimated to have improved moderately to 1.3% in 2025. This improvement was largely supported by a more reliable electricity supply, bountiful agricultural harvests, and heightened business confidence. The main drivers of growth will be a stronger household consumption resulting from lower inflation and lower interest rates, along with enhanced credit conditions. In this regard, the South African Reserve Bank's

economic projections indicate stronger growth, averaging 1.7% over the next three years.

Regarding KwaZulu-Natal, economic prospects are shaped by emerging opportunities and ongoing challenges, reflecting global and national trends. The province is expected to benefit from significant private-sector investment and increased government infrastructure spending, both aimed at stimulating economic growth and creating jobs. While these factors present a positive outlook, KwaZulu-Natal must also navigate external market volatility that could impact recovery efforts. Overall, if key risks are effectively managed, KwaZulu-Natal could experience a gradual recovery, leading to enhanced stability and growth across sectors such as tourism, agriculture, and manufacturing.

As a result, the provincial economy recorded a modest recovery, with real regional GDP growth of 1.4% in 2025 amid lower impact of global developments particularly the unilateral tariffs and geopolitical uncertainty, an extended period of stable energy supply and easing logistical bottlenecks owing to ongoing economic reforms, as well as a positive impact of earlier monetary policy easing. Provincial growth is expected to accelerate further to 1.5% in 2026 and to 1,6% in 2027. Despite these favourable growth prospects over the medium-term, the scourge of unemployment remains a significant challenge for our province and its people.

Another emerging crisis facing the province is that of the Food and Mouth Disease (FMD) pandemic impacting on a critical sector of the province in terms of job creation and economic growth, namely agriculture. The FMD crisis is causing severe economic loss to the province, with this province identified as the epicentre of this national disaster. The FMD outbreak is threatening livelihoods having caused losses in revenue for the agricultural sector, while there have also been export and trade disruptions, higher operational costs for the farmers, rising food prices, to name a few. Government is in the process of rolling out a massive vaccination campaign aimed at creating a buffer zone and stopping the spread of this disease.

The provincial budget is being tabled against this backdrop.

3. THE PROVINCIAL BUDGET FOR THE 2026/27 MTEF

3.1 Update on the comprehensive budget review process undertaken

When I delivered the provincial budget to this House last year, I promised that it would not be “budgeting as usual” during my tenure as the MEC for Finance. I had indicated that Provincial Treasury, together with all the departments and public entities, would undertake a comprehensive review of the provincial budget. This was part of the Provincial Financial Recovery Plan and entailed a comprehensive review of fixed and variable costs, as well as making some proposals with respect to providing funding towards under-funded provincial priorities. This approach was necessary as we acknowledged that historic budget cuts have put immense strain on the provincial fiscus. This has resulted in severe budget constraints for a number of our government departments, resulting in an unsustainable growth of accruals.

Work with respect to the provincial budget review was largely finalised during the year, when National Treasury then introduced a Targeted and Responsible Savings (TARS) approach to budgeting, part of which required Provincial Treasury to assess all departments' budgets using the Programme Assessments Matrix (PAM) Tool. This PAM Tool requires every single activity in a government department to be analysed, to determine which legislation gave effect to it and to also rank it in terms of priority. This required the training of the officials from Provincial Treasury and departments and public entities. It also required significant collaboration between the finance staff and the planners in the departments and entities.

We saw some overlaps in the budget review undertaken by the province and the TARS budget review required by National Treasury and thought it wise to complete both processes and to use the recommendations from both processes when making proposals on the provincial budget.

The populated PAM Tool was submitted to National Treasury a few weeks ago at the end of January, and National Treasury, together with the Budget Team of the Provincial Treasury are now busy studying the outcomes of this tool and recommendations will be made to the Provincial Executive Council.

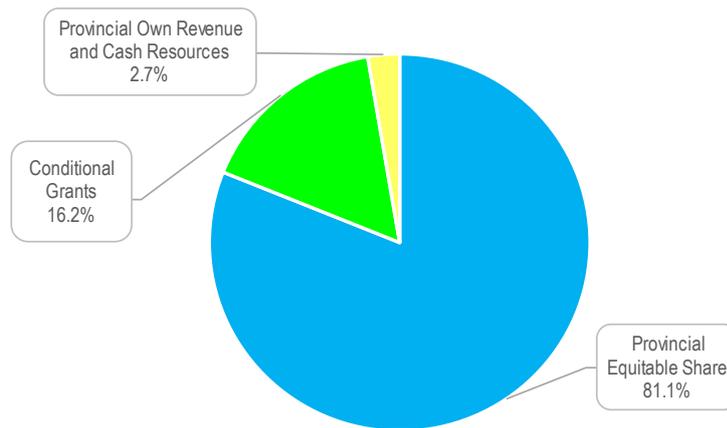
3.2 Amendments to the provincial fiscal framework

Madam Speaker, preparing the 2026/27 budget for KZN has been a tough task, as is always the case when the demands for funding exceed the funding that is available. I am pleased to say that the budget is largely a "good news" budget, in that we see some additions being made by National Treasury to our Provincial Equitable Share towards budget pressures in Education and Health, while our conditional grant budget also sees significant increases over the MTEF.

There are however some budget cuts, but we were able to manage these in such a manner that there is no impact on any of the departments and public entities in the first year of the 2026/27 MTEF. This gives us some time to give effect to the budget review I mentioned earlier, and to use this tool to protect our frontline services as far as possible over the outer years of the MTEF.

The bulk of our funding is allocated to the province by National Treasury.

In this regard, 81.1% of our funding is received in the form of a Provincial Equitable Share allocation, 16.2% is received as a conditional grant allocation from National Treasury, while the balance of 2.7% is sourced from provincial cash resources and from provincial own revenue sources, such as motor vehicle licences, health patient fees, interest on our provincial bank account, gambling taxes, among others.



I am very pleased to announce that National Treasury has provided significant additional funding to our Provincial Equitable Share towards the budget pressures that the Department of Education and the Department of Health have been experiencing, largely as a result of historic budget cuts. Education also receives funding for various staffing costs which will be elaborated on further in my speech.

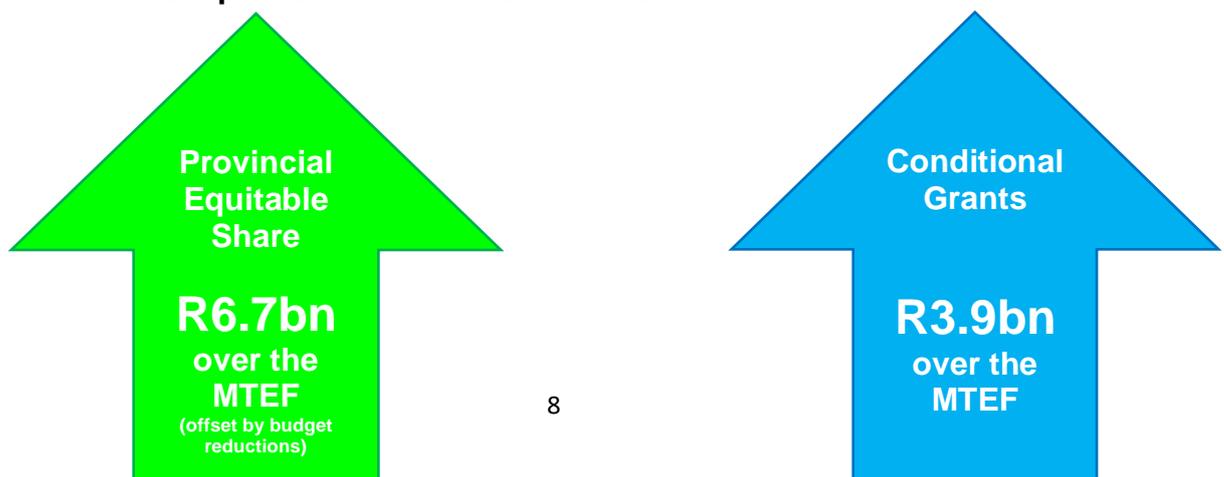
There is also a minor correction being made to the Provincial Equitable Share allocation under the Department of Human Settlements, as well as towards voluntary early exits from the public service.

The total impact of these additions amount to R6.7 billion over the MTEF.

The budget cuts over the MTEF, reflect a cut of R195 million in 2026/27, growing to about R1 billion per year in the two outer years. As I indicated earlier, we have tried to lessen the impact of these budget cuts on the departments and this was done by reducing the Contingency Reserve in each of the MTEF years. This means that departments will have no budget cuts against their Provincial Equitable Share in 2026/27, but will experience budget cuts in the outer years at reduced levels because we are tapping into the Contingency Reserve to minimise the impact as far as possible. The budget cuts over the outer years are implemented proportionately against all departments.

Further positive news is that we receive a substantial increase in our conditional grant allocation. The conditional grant budget increases by R1.7 billion in 2026/27, by R617.3 million in 2027/28 and by R1.6 billion in 2028/29.

This equates to an increase of R3.9 billion over the MTEF.



Our Provincial own revenue budget was revised downwards slightly by R11.9 million in 2026/27 and by R12.3m in 2027/28, and then increasing by R9 million in the outer year due to revisions made to some of our revenue sources. In 2026/27 and 2027/28, this represents a minimal decrease of 0.3% per year. These decreases are mainly as a result of a decrease in the budget from the collection of rental by Agriculture and Rural Development as some state houses were found to belong to the Ingonyama Trust Board, as well as Education as a result of lower revenue expected from commission on payroll deductions. One of the Provincial Financial Recovery Plan workstreams is focusing on increasing our provincial own revenue going forward, by looking into both existing and new sources of revenue over the MTEF, and we anticipate that our revenue streams in the next budget process will show a more positive trend. Encouragingly, we are seeing a projected over-collection of revenue in the current financial year of R220.6 million at year-end, mainly due to higher than anticipated collection against *Motor vehicle licences* by the Department of Transport, as well as SARS refunds received by the Department of Education.

Fiscal framework

In aggregate, we see a healthy increase in our funding over the MTEF. The budget we have over the MTEF to fund all our activities is shown in Table 1 which shows the Provincial Equitable Share and conditional grants received from National Treasury, as well as the amount we anticipate to collect from our Provincial own revenue sources.

Table 1 : Summary of provincial fiscal framework

R thousand	2026/27	2027/28	2028/29
Revised allocation	168 185 215	174 157 389	179 770 916
Transfer receipts from national	163 651 251	169 479 724	174 926 498
<i>Equitable share</i>	136 378 118	142 177 502	146 678 660
<i>Conditional grants</i>	27 273 133	27 302 222	28 247 838
Provincial own receipts	4 477 404	4 677 665	4 844 418
Provincial cash resources	56 560	-	-
2. Planned spending by departments	168 035 366	173 961 388	179 446 274
3. Contingency Reserve	149 849	196 001	324 642

In 2026/27, the total funding available to fund our frontline and other services amounts to R168.2 billion. This is a significant increase from the R163.9 billion shown as the indicative allocation for 2026/27 when I tabled the budget last year and results from the significant additional funding we received from National Treasury in this year's budget process. This is indeed a good story to tell!

**KWAZULU-NATAL'S TOTAL BUDGET
IN 2026/27 IS R168.2 BILLION**

Of this, R136.4 billion is received as a Provincial Equitable Share allocation and R27.3 billion is received as a conditional grant allocation, with the balance made up of Provincial Own Revenue and Provincial Cash Resources.

Provincial departments are planning to spend R168 billion in 2026/27 and the Contingency Reserve is set at R149.8 million growing to R324.6 million over the MTEF.

3.3 Detail of changes to the Provincial Equitable Share

As mentioned, National Treasury has allocated significant additional Provincial Equitable Share funding to the province over the MTEF and the detailed breakdown is shown in Table 2.

Table 2: Additional Provincial Equitable Share funds - 2026/27 MTEF

R thousand	2026/27	2027/28	2028/29
1. Education - additional funds for existing budget pressures	647 274	676 490	697 607
2. Education - Equalisation of Grade R salaries	29 764	59 528	101 640
3. Education - Presidential Employment Stimulus (Teacher Assistants)	70 068	-	-
4. Health - additional funds for existing budget pressures	1 405 240	1 447 531	1 492 715
5. Human Settlements - reallocation from Human Settlements conditional grants	1 137	1 191	-
6. Early Retirement Programme and Voluntary Exit Programme	99 845	-	-
Total	2 253 328	2 184 740	2 291 962

The **Department of Education** receives the following additional funding:

- R647.3 million, R676.5 million and R697.6 million over the MTEF towards addressing the **existing budget pressures** in *Compensation of employees* in the department, which were largely caused by significant historic budget cuts.
- R29.8 million, R59.5 million and R101.6 million over the MTEF. These funds are added for the **progressive equalisation of the remuneration of Grade R teachers**. Grade R is now part of the compulsory phase of basic education and the teachers should be remunerated accordingly. These funds are therefore added to our budget to progressively increase these teachers' salaries.
- R70.1 million in 2026/27 for the **Presidential Employment Stimulus** which was first introduced in 2020. These funds are to be used for the Teacher Assistants Programme. These funds are aimed at providing work and livelihood opportunities, particularly for youth and women.

The **Department of Health** receives around R1.4 billion in additional funding per year over the MTEF. These funds are meant to address some of the **existing budget pressures** in the department relating to salaries and accruals.

The **Department of Human Settlements** receives a minor increase of around R1 million, and this provides the carry-through allocation for the correction made in the 2025/26 Adjustments Estimate with regard to the department's *Compensation of*

employees budget. This was erroneously over-stated against the conditional grant allocation and is thus added to the department's Provincial Equitable Share allocation.

Various Votes receive additional funding, in line with applications made *via* Provincial Treasury to National Treasury, with respect to an **incentivised Early Retirement Programme (ERP) (without pension penalties) and a Voluntary Exit Programme (VEP)** for employees in the public service. In total, R99.8 million is allocated to the province in this regard. This process was initiated by National Treasury and the Department of Public Service and Administration (DPSA) in order to save costs on *Compensation of employees*, or staffing costs. There are two aspects to this in that there are exits by employees from the age of 55 to 59 years, employed in terms of the Public Service Act on permanent employment, who were eligible to apply for the ERP. Employees aged 60 to 63 do not qualify for the ERP but were invited to apply for a 'voluntary earlier exit', namely VEP. National Treasury indicated to provinces that for the costs associated with these exits, the required additional funding would be allocated to the respective provinces and in respect of the pension penalty aspect, the funds would be allocated directly to the Government Employee Pension Fund (GEPF).

In aggregate, 614 employees in KZN opted to take this early exit opportunity. While many of these posts will be filled again, they will be filled at entry level salaries and savings will thus be realised. These savings remain within the departments' baselines and can be used to offset existing budget pressures or to enhance or expand service delivery programmes. National Treasury estimated that the total savings in this regard will amount to R151.9 million in 2026/27, R54.4 million in 2027/28 and R55.8 million in 2028/29.

3.4 Detail of changes to the conditional grant allocation

The conditional grant budget shows a net increase over the MTEF, with the province receiving a substantial additional amount of R1.7 billion in 2026/27, with carry-through over the MTEF. Encouragingly, there are sizable increases in a few of our infrastructure grants!

Some of our conditional grants were adjusted downwards by National Treasury to reflect the lower CPI projections, but these reductions are relatively insignificant when compared to the large increases in various conditional grants.

In aggregate, the province receives R150.4 million through the **EPWP Integrated Grant for Provinces**, an increase from the R147 million received last year. This is allocated to various departments for job creation programmes.

As part of the ongoing conditional grants review, the **Comprehensive Agricultural Support Programme (CASP) grant** and the **Ilima/Letsema Projects grant** are merged into one grant with the allocations now falling entirely under the CASP grant. The merger is intended to streamline administrative processes, eliminate duplication of efforts in supporting smallholder and subsistence farmers and to provide a more cohesive and comprehensive support system for beneficiaries. In aggregate, R108 million is reprioritised for the sector from the **CASP grant** to the national Department of Agriculture. This funding will be used to develop an e-certification

system, implement animal identification, recording, and traceability systems and to continue to implement blended financing. The CASP grant thus sees reductions of R21.5 million in 2026/27.

Also, as part of the ongoing conditional grants review, the **Education Infrastructure grant** and the **School Infrastructure Backlogs grant** are merged in a phased manner starting in 2026/27. The budget that was allocated under the School Infrastructure Backlogs grant is therefore allocated to the provinces that currently have projects that were being implemented under this grant. It is also noted that the Education Infrastructure grant sees an increase of R41.5 million in 2026/27 as a result of meeting the required milestones and thus the department receives an incentive allocation. The department is congratulated on this. In aggregate, the Education Infrastructure grant increases by R505.3 million in 2026/27.

The **Early Childhood Development grant** is increased by R427.7 million in 2026/27, with larger increases in the outer years of R802.5 million in 2027/28 and R848.039 million in 2028/29, for the continued expansion of early childhood development services.

There is also good news with respect to the infrastructure grant under the Department of Health. The department did well in meeting the required milestones and thus receives an incentive allocation under the **Health Facility Revitalisation grant** of R90.9 million in 2026/27. The department is congratulated for this achievement year on year.

R3 billion is reprioritised from the **Human Settlements Development grant** across the sector to the **Informal Settlements Upgrading Partnership Grant to Provinces**. Previously, reductions were made to the Informal Settlements grant which led to the baseline of this grant declining quite significantly. The intention was to reprioritise funds back to this grant to ensure that the grant has sufficient funds to deliver on its activities. The **Informal Settlements Upgrading Partnership Grant to Provinces** is increased by R182.6 million in 2026/27.

Additional funds of R641.3 million are added to the **Provincial Roads Maintenance grant** in 2026/27 related to disasters that occurred between April 2024 and June 2025. This funding is for the reconstruction and rehabilitation of provincial infrastructure damaged by rainfall, flooding, thunderstorms, and strong winds.

4. THE PROVINCIAL BUDGET

The table below shows the budget per Vote after taking into account all the amendments made during this budget process. The table shows the amounts allocated to each Vote for spending in 2026/27 and each Vote's share of the total provincial budget.

In aggregate, 80.5% of the provincial budget is allocated to the three social services departments, namely Education, Health and Social Development.

Table 3 : Budgets per Vote

Vote	2026/27 (R000)	% of Total Budget
Vote 1: Office of the Premier	856 202	0.5%
Vote 2: Provincial Legislature	894 413	0.5%
Vote 3: Agriculture and Rural Development	2 818 097	1.7%
Vote 4: Economic Development, Tourism and Environmental Affairs	3 775 457	2.2%
Vote 5: Education	71 193 373	42.4%
Vote 6: Provincial Treasury	756 071	0.4%
Vote 7: Health	60 293 520	35.9%
Vote 8: Human Settlements	3 265 987	1.9%
Vote 9: Community Safety and Liaison	287 357	0.2%
Vote 10: Sport, Arts and Culture	1 657 785	1.0%
Vote 11: Co-operative Governance and Traditional Affairs	2 033 330	1.2%
Vote 12: Transport	13 937 255	8.3%
Vote 13: Social Development	3 828 465	2.3%
Vote 14: Public Works and Infrastructure	2 438 054	1.5%
Total Budget	168 035 366	100.0%

Each MEC will elaborate on what these funds will deliver when they present their respective Votes' budgets in this House.

The *Estimates of Provincial Revenue and Expenditure* which I am tabling today, contains valuable information on each department's budget, while the *Estimates of Capital Expenditure* provides lists of all the capital projects that will be implemented by the departments. I urge you to read these documents as they offer a wealth of information that will assist in undertaking oversight duties and provides all of us with the necessary information to hold departments accountable with respect to spending against their budgets.

5. CONCLUSION

In closing, as I stated at the start of this budget presentation, financial recovery is not an event – it is a discipline. It is a journey, a journey that is already bearing positive results. We must stay the course, act with integrity, and work together. KwaZulu-Natal will emerge stronger, more credible, and more investable than before.

I would like to thank the Honourable Premier, Thamsanqa Ntuli and the Honourable Members of the Provincial Executive Council, and, in particular the Members of the Ministers' Committee on the Budget, for their support in putting together the KZN budget for the 2025/2026 financial year.

I wish to thank the Treasury officials under the leadership of the HOD, Ms Carol Coetzee for ensuring that the budget documentation is of its usual high quality and the continued commitment shown by Team Treasury. You are an asset to the province of KZN. Also, my heartfelt thanks go to my team in the Ministry of Finance.

To the Chairperson, Mr Mthandeni Dlungwane, and members of the Finance Portfolio Committee, your input is always valuable. I look forward to engaging with all of you on this budget.

To the most important people in my life, my wife Rita and daughters, Natalie and Hayley – for your consistent support and love, I am truly grateful.

Madam Speaker, ladies and gentlemen - it is my honour to formally table the 2026/2027 financial year budget for the province of KwaZulu-Natal.

I thank you.